DOCUMENT RESUME

ED 336 790 CS 507 584

TITLE	Proceedings of the Annual Meeting of the Association for Education in Journalism and Mass Communication (74th, Boston, Massachusetts, August 7-10, 1991). Part V: The Business of Mass Media.
INSTITUTION	Association for Education in Journalism and Mass Communication.
PUB DATE	Aug 91
NOTE	331p.; For other sections of these proceedings, see CS 507 580-596.
PUB TYPE	Collected Works - Conference Proceedings (021)
EDRS PRICE	MF01/PC14 Plus Postage.
DESCRIPTORS	*Business Administration; Cable Television; Decision Making; *Economic Factors; Federal Regulation; Higher Education; Journalism History; *Marketing; *Mass Media; Media Research; Newspapers; Ownership; Policy Formation; *Political Influences; Publishing Industry; Trend Analysis
IDENTIFIERS	Deregulation; *Media Business Relationship

ABSTRACT

The Business of Mass Media section of the proceedings contains the following 13 papers: "Management in Transition at the Rocky Mountain News" (Jim Redmond); "The Rise and Fall of the Distress Sale: A Strange Case of Comparative Broadcast Policy-Making" (Alan G. Stavitsky); "Journalists' Assessment of Group Ownership and Their Newspapers' Local News and Editorial Performance" (David C. Coulson); "The Seattle Star and the Newspaper Guild Strike of 1937: A Case Study in the Political Economy of Newspaper Competition" (Roger Simpson); "Bertelsmann in the U.S.A.: How a German Media Mogul Became America's Largest Book Publisher" (Toni Heinzl and Robert L. Stevenson); "Monopoly vs. Efficiency vs. Diversity: Market Structure Analysis of Basic Cable Industry" (Kak Yoon); "The Use of Coercive Conduct by Newspapers to Enhance Their Competitive Position against Shared Mail" (Ken Smith); "Artifactual Decision Processes in Complex Media Organizations: A Multimethod Assessment of Process Correspondence" (Derek R. Allen); "Media Management Trends in the 1990s" (E. R. Worthington); "Television Journalists' Perceptions of Group Ownership and Their Stations' Local News Coverage" (David C. Coulson and Scot Macdonald); "The U.S. Television Syndication Industry: An Examination of Market Operations" (Sylvia M. Chan-Olmsted); "Big Snowballs on Big Hills: Escalation Theory in Media Management" (Fiona A. E. McQuarrie); and "Station Trafficking in Radio: The Impact of Deregulation" (Benjamin J. Bates). (PRA)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED336790

PROCEEDINGS OF THE 1991 ANNUAL MEETING OF THE ASSOCIATION FOR EDUCATION IN JOURNALISM AND MASS COMMUNICATION (74th, Boston, MA, August 7-10, 1991).

Part V: The Business of Mass Media.

"PERMISSION TO REPRODUCE THIS
MATERIAL HAS BEEN GRANTED BY
Ferrell
Erwin
TO THE EDUCATIONAL RESOURCES
INFORMATION CENTER (ERIC)."

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION
CENTER (ERIC)

☒ This document has been reproduced as received from the person or organization originating it.

☐ Minor changes have been made to improve reproduction quality.

● Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

CS507584

BEST COPY AVAILABLE

MANAGEMENT IN TRANSITION AT THE ROCKY MOUNTAIN NEWS

By

Jim Redmond
School of Journalism & Mass Communication
Campus Box 287
University of Colorado
Boulder, CO 80309

Submitted for:

1991 AEJMC Student Research Paper and
Creative Project Competition

Media Management and Economics Division

Category 2 - Nontraditional scholarly work

MANAGEMENT IN TRANSITION AT THE ROCKY MOUNTAIN NEWS

ABSTRACT

In November 1990 a qualitative study on the effort by senior management of the *Rocky Mountain News* in Denver, Colorado, to modify the newspaper's management style was initiated. The newspaper, in the third year of management style transition, is in a fiercely competitive battle with *The Denver Post* for dominance of the Denver market. Senior management considers the way employees are managed as a pivotal factor to increase the competitive edge of the *Rocky Mountain News.*

The study addressed three research questions:

RQ-1 Do senior managers at the *Rocky Mountain News* agree that a true management style change is occurring?

RQ-2 Do senior managers say a shift in management philosophy at the *Rocky Mountain News* is producing tangible results?

RQ-3 How long do senior managers say it will take before the change in management style at the *Rocky Mountain News* is completed?

The first research question was affirmatively supported. The second research question was not completely supported, nor was it left unsupported. It was determined that not enough time has expired since the transition effort began to determine accurately its impact on specific indicators such as advertising revenue or circulation. The third research question proved unanswerable. The study found that management style shift is a long-term undertaking and no reasonably accurate estimate of completion of the transition could be derived.

MANAGEMENT IN TRANSITION AT THE ROCKY MOUNTAIN NEWS

INTRODUCTION

> If it wasn't for the employees, management in that company wouldn't even exist. So they owe their employees their very existence. And they owe their employees their commitment to make the work environment as positive as possible so the employees feel rewarded. And that is the one way management and business are going to be successful. In a non-adversarial relationship.[1]

The *Rocky Mountain News*, in the heat of a pitched battle with *The Denver Post* for control of the Denver newspaper market made a strategic decision in the late 1980s to change its management style. That change was dictated by the conviction among the paper's senior management that ultimately only one major daily can survive in the Denver market.

There are two reasons cited by *Rocky Mountain News* management. First, Denver has always had a boom or bust, cyclic economy since its beginnings as a gold mining camp and has been in its current, serious downturn since 1985.[2] That has intensified competition between the two major dailies for advertising dollars which have not increased enough to keep pace with inflation. Secondly, the daily newspapers are competing with a myriad of other media which have steadily chipped away at their advertising revenues by convincing advertisers to divide their expenditures among the over 40 radio stations, 4 major commercial television stations, cable television, several weekly newspapers, billboards and various other advertising outlets such as display cards on the sides of buses.[3]

---

[1] Don Livingston, Director of Personnel, the Rocky Mountain News, interviewed Nov. 7, 1990.

[2] Ibid.

Against the backdrop of what *Rocky Mountain News* management describes as a "flat" Denver economy with market advertising dollar revenue also "flat,"[4] with parallel intensification of multi-media competition, the *Rocky Mountain News* looked inward for the impetus to expand its circulation lead on *The Denver Post*. Management became convinced that eventually Denver must surrender its status as one of the few major markets with two significant competing dailies, and become another one-newspaper city. Senior management, certain the traditional, autocratic style of management had to be replaced by one more suited to pulling the work force together as a team, hired Somerville and Company, a Denver management consulting group, to facilitate the change. Personnel director Don Livingston sees management style as a survival issue in one of the remaining markets with two major daily newspapers.

> We don't need to frustrate our managers. We don't need to frustrate our employees. If we are number one, let's act like number one and do things, and if one newspaper is to survive, make sure it's us and not the *Post*.[5]

This study looks at the effort by the *Rocky Mountain News* to increase competitiveness through adjustment of the way the newspaper is managed. To consider the question of management style and leadership technique it is first necessary to examine the development of modern management theory.

---

[3] W.W. Fletcher, Chairman of the Board of Directors, the Rocky Mountain News, interviewed Nov. 7, 1990.

[4] Livingston.

[5] Livingston.

REVIEW OF LITERATURE

Management Theory Development:

Classical industrial management theory evolved from the simple concept of pushing more widgets out of the factory faster. Babbage (1792-1871), a mathematician interested in worker efficiency at the dawn of the industrial revolution, set the stage for the concept of the division of labor.[6] Taylor (1911) studied steel mill workers and developed what became known as "scientific management."[7] His focus was the efficient use of the human being as a work unit interfacing with the technical equipment provided to him to maximize assembly line output. To make workers push themselves harder, Taylor developed the concept of incentive pay.[8] The critical flaw in Taylor's view, however, was the focus on financial reward as the primary motivator. His utilitarian approach did not encompass the concept of financially secure workers driven by deeper psychological considerations in the pursuit of happiness far beyond basic survival issues.

As management research developed, the managers' functions were broken down into neat packages of planning, organizing, commanding, coordinating, and controlling.[9] For example, Fayol (1949) developed a list of 14 elements of managerial concern beginning with the proper division of labor and ending with *esprit de corps*.

---

[6] Charles Babbage, a mathematics professor (1792-1871) who studied worker efficiency from whose work the concept of division of labor evolved, cited in John M. Lavine and Daniel B. Wackman, Managing Media Organizations: Effective Leadership of the Media, (New York: Longman, 1988), p. 77.

[7] Frederick W. Taylor, Scientific Management, (New York: Harper & Row, 1947; reprint ed., New York: W. W. Norton & Co., 1967).

[8] Ibid, p. 33-35.

[9] Henri Fayol, General and Industrial Management, Constance Storrs (trans.), (London: Sir Isaac Pitman & Sons, 1949), cited by John M. Lavine and Daniel B. Wackman, Managing Media Organizations: Effective Leadership of the Media, (New York: Longman, 1988), p. 78.

McGregor (1960) defined the opposing typologies of Theory X and Theory Y management styles. Theory X is "the traditional view of direction and control" assuming that most people really don't want to work. They, therefore, according to Theory X, must be "coerced, controlled, directed, threatened with punishment to get them to put forth adequate effort toward the achievement of organizational objectives."[10] The opposing view is Theory Y, which assumes "the average human being does not inherently dislike work," that, "the average human being learns, under proper conditions, not only to accept but to seek responsibility." Fundamental to Theory Y is the concept of "integration" of the worker's goals into those of the company; that "commitment to objectives is a function of the rewards associated with their achievement."[11] Thus, if the employee understands how he or she benefits from organizational success, there is a personal vested interest that is a powerful motivator.

Ouchi (1981) defined Theory Z as somewhere between the X and Y typologies in his analysis of the differences between the best run Japanese and American companies. He contrasted American corporate tendency for executives to jump from firm to firm every few years with little corporate loyalty, to the concept of "life-time employment" common in Japan. In Ouchi's view one of the major negatives in the American system is the tendency for corporate political gamesmanship to develop because long-term relationships are rare. In Japanese "Z" organizations corporate politics are discouraged by the fact workers have to get along over long periods of career development. The Theory Z organizations promote,

> an attitude of egalitarianism and of mutual trust, and they do so in part by encouraging a wholistic relation between employees. Self-direction replaces

---

[10] Douglas McGregor, The Human Side of Enterprise, (New York: McGraw-Hill, 1960), pp. 33-43.

[11] Ibid, pp. 45-57.

> hierarchical direction to a great extent which enhances commitment, loyalty, and motivation.[12]

Theory Z organizations are heavily dependent on participative decision making "in which all of the members of a department reach consensus on what decisions to adopt," which theoretically promotes creativity and more effective implementation of decisions.[13]

Transformation of Management Style:

In order for management to move an organization from one typology to another requires an involved process of changing the corporate culture.[14] The process, which in large organizations can span up to 15 years, requires a high degree of trust and integrity with an emphasis on a kind of family orientation to employees at all levels.

> A person of integrity treats secretaries and executives with equal respect and approaches subordinates with the same understanding and values that characterizes his family relationships.[15]

The leadership necessary to transform management style going down to the roots of the corporate culture demands people skills, an understanding of different employee values, and how to link them to organizational goals.[16] Also necessary is a serious attitude among management that managers serve employees, not the other way around, in a kind of "community of equals."[17]

Throughout the 20th Century the behavior management theories have extended beyond the fundamental considerations of speeding up assembly lines into creative influences, team management and psycho-social forces that have an impact on employee attitudes.[18] Indeed, among eight key attributes that Peters and Waterman (1982) emphasized in their much quoted work, *In Search of Excellence*, are "productivity through people" and "hands-on, value driven" approaches.[19] Management style must include a personally involved approach which keeps, at the forefront, the essential values of the company; i.e., what it stands for besides the simplistic pursuit of profit. Peters and Waterman used the example of the McDonald's hamburger chain's emphasis on "Q.S.C. and V. (Quality, Service, Cleanliness, and Value)" as evidence that if the basic philosophy of a business is strong, the profits will come, but if the emphasis is only on profit, success is only temporary.[20]

---

[12] William G. Ouchi, Theory Z: How American Business can Meet the Japanese Challenge, (New York: Avon Books, 1981), p. 70.

[13] Ibid, p. 36.

[14] Ibid, p. 83-110.

[15] Ibid, p. 86.

[16] James A. Ogilvy, "Leadership vs. Management," Marketing Communications, (Jun. 1987), p. 24.

[17] Ouchi, p. 70.

Increasingly top modern managers accomplish internal corporate strength by getting employees to "buy-in" to their approach, not by autocratically forcing them to go along. That fundamental sense of employees as guided partners in the tasks at hand is tailored to the need--identified as predominant among journalists--for participation in decision-making while still retaining a creative autonomy to do their jobs as they see fit.[21] However, management in larger media enterprises appears to go the opposite direction. As Gaziano and Coulson (1988) pointed out in their study of newsroom management styles, the more a media organization is centralized with an enlarged intra-company bureaucracy the more it "tends to breed job dissatisfaction because of diminished autonomy."[22] That increased control, they point out, is more of a covert, stylistic manifestation of corporate culture values and expectations, than outright authoritarian, lock-step, order giving and taking.[23]

---

[18] Elton Mayo, The Human Problems of an Industrial Civilization, (Boston: Division of Research, Graduate School of Business Administration, Harvard Union, 1946).

[19] Thomas J. Peters and Robert H. Waterman, Jr., In Search of Excellence: Lessons from America's Best-Run Companies, (New York: Warner Books, 1982), p. 14-15.

[20] Ibid.

[21] Cecilie Gaziano and David C. Coulson, "Effect of Newsroom Management Styles on Journalists," Journalism Quarterly, (Winter, 1988), p. 869.

In the *Harvard Business Review* in June 1986 Abraham Zaleznik re-published part of a key article in the business world, originally published in 1977, titled "Managers and leaders: are they different?" His original, award winning work focused on the key problem that has plagued modern business (including media) since its inception. Managers can be trained to analyze spreadsheets. Technocrats can be taught to design intricate systems to process things. But generating the spark of ignition for the human side of organizations is an entirely different matter. There continues a major debate about whether leaders can, in fact, be trained, or whether the ambiguities of leadership make it a talent with which one is born. Regardless, being a leader means exercising power over other people, "and power in the hands of an individual entails human risks."[24]

One of those risks for a large organization, Zalesnik (1986) emphasized, is that leaders tend to be mavericks rather than conformers. The bureaucracy of the major corporation environment encourages conformity rather than independence in those people trying to work their way to the top. A corporate "conservatism and inertia" develops as the organization itself breeds conformist managers.[25] In Zaleznik's (1986) view, managers "need order in the face of potential chaos that many fear in human relationships." But that generates a kind of corporate malaise, not a willingness to "seek out risk and danger" by taking "high-risk" leadership positions.[26] There is then, if one accepts Zaleznik's view, a vast difference between running an organization day to day and guiding its future course. The former requires knowledge of processes such as finance, planning, organization and the other enumerated elements various management texts specify, as well as corporate knowledge of the specific business bureaucracy, production lines and the like. Guiding an organization's future--i.e., leading--requires vision, along with the power and personality dynamics to implement that vision. It also requires an inherent sense of the organizational framework for, as management guru Peter Drucker (1988) has underscored, the act of managing is an act of structure.[27]

---

[22] Ibid, p. 870.

[23] Ibid.

[24] Abraham Zaleznik, "Managers and leaders: Are they different?" Harvard Business Review, (May-Jun. 1986), p. 48.

[25] Ibid.

The way the internal design of an organization functions plays a critical role in defining the most effective management style that can be used. For example, Gaziano and Coulson (1988) pointed out that the much hailed participative style of democratic management the journalists they interviewed "almost universally endorsed" might be a negative factor in getting the job accomplished. Their rationale is that because of intense deadline pressure, a lot of time spent in participatory supervisor meetings would interfere with "running the newspapers."[28] However, that view provides a fundamental misunderstanding of what participative management is all about. It is not "meetings" but the act of empowerment in the decision making process down to the lowest possible level.[29] The "meetings" are only organizing mechanisms from which participative management stems. It could be argued, as the subject of a much wider study, that participative management efforts frequently fail due to the inability of management and employees to see it as an active, daily process, not just a serious of discussions in meeting rooms physically and psychologically isolated from the production work environment.

---

[26] Ibid.

[27] Peter E. Drucker, "Management and the World's Work," Harvard Business Review, (Sep.-Oct. 1988), p. 65.

[28] Gaziano and Coulson, p. 879..

[29] Rosabeth Moss Kanter, "Power," in The Applied Psychology of Work Behavior; A Book of Readings, ed. Dennis W. Organ, (Plano, TX.: Business Publications, 1987, Third Edition), pp. 273-310.

Media Organizations and Situational Leadership:

The key to effective management in the mass communication marketplace is in tailoring the management and leadership styles, which have been categorized in various ways such as "structuring, coaching, participating, delegating," to the specific situation.[30] Thus the environment within which a business operates must be matched to the internal organizational structure and style for maximum effectiveness.[31] That can obviously mean a blending for management and leadership typologies depending upon the unique requirements of the organization at the time.

Media management texts tend to emphasize the fiscal side of media companies in the traditional "business" context of generating profit by concentrating on strategic planning and financial manipulation in what is termed the "management science" perspective.[32] While the unique aspects of mass communication and society are frequently discussed, the concept of media business management is based on the traditional free enterprise model focused on profit. Management case study problems frequently approach the predicament of trying to preserve existing profit margins despite declining market share by using "economy in operation and higher revenues" as the goal of management.[33] But it has become increasingly apparent that simply cutting costs and driving employees harder are only temporary solutions to a much deeper problem among mass media organizations undergoing fundamental market changes in a complex modern society.[34] The situation may actually be worsened by eliminating necessary workers and eroding morale, thus reducing the organization's product quality and long-term competitive capability.[35] The situation is particularly acute in media organizations which depend on highly creative people to do the work.[36] These are organizations which also tend to be highly politicized environments driven more by the human relationships than the formal management structure.[37]

---

[30] Doris A. Payne, "Managing with Style," Executive Financial Woman, (Fall 1988), pp. 28-30.

[31] James Belasco, "Farmers vs. Hunters," Executive Excellence, (Nov. 1989), pp. 9-10.

[32] John M. Lavine and Daniel B. Wackman, Managing Media Organizations: Effective Leadership of the Media, (New York: Longman, 1988), p. 85.

Despite discussion of the evolution of more democratic management styles in other kinds of businesses, "Theory X" management, originally defined by McGregor (1960), still appears to be common in media organizations. That style emphasizes authoritarianism which, some researchers conclude, may be necessary in media companies.[38] That is for a number of reasons, principle among them the serious time constraints in media organizations. For example, a decision on dispatching a reporter, or whether to "hold the presses," must be made quickly. The requirement for such decision speed on a daily basis at the micro-operational level, frequently gets reflected on up into macro-strategic decision making. The individual task-achievement style within the organization acts as a paradigm

---

[33] Howard W. Coleman, Case Studies in Broadcast Management: Radio and Television, (New York: Hastings House, 1978), p. 38.

[34] Ronald Hawkins, "Measuring Audiences in the '90s," Cable TV Business, (Apr. 1, 1990), pp. 22-23.

[35] Angela Powers, "The Changing Market Structure of Local Television News," Journal of Media Economics, (Spring 1990), p. 53.

[36] Lavine and Wackman, p. 134.

[37] Ibid., p. 149.

[38] Barry L. Sherman, Telecommunications Management, (New York: McGraw-Hill, 1987), p. 57.

for the much wider concerns of work-culture development for which it is not effective. Staff writers who are dealt with in an authoritarian way by an editor in individual story structuring, are understandably hesitant to be forthright in suggestions for a different layout of the paper. In effect the reality of the work environment means risk taking is dampened at the micro level, and stays that way at the macro level. You cannot simply walk a group of people from a newroom into a conference room, and expect their relationships to change in a major way. Thus, the requirement for fast decision making in the short-term often relegates concern over impact on employees in the long-term to a secondary level of importance.[39] In accepting and rationalizing "Theory X" management style as necessary at the micro level, there remains the problem of getting employees to drive themselves and their organization beyond what the basic conditions of employment require. The threat of the authoritarian is, expressed openly or not, "do it my way, or you'll be fired!" That means employees tend to operate at the survival level shrinking away from risk-taking and the championing of new ideas. As technological change continues to, in the words of Budd and Pennington (1983), "demassify the media,"[40]--break apart what had been thought of as a single, huge audience into many small segments--the authoritarian model is too inflexible for an increasingly flexible media environment.

Media Organizations are Different:

The production of news and information is the production of mental work of interpretive and perceptual skills translated into written or video form, and that requires what one writer (Ogilvy, 1987) asserted is "transformative leadership." That kind of leadership emphasizes "people skills," e.g, an ability to pick out different employees' values and then capitalize on them by making the organization's work a manifestation of those personalized values.[41]

---

[39] Ibid.

[40] John F. Budd, Jr. and Bruce C. Pennington, Corporate Video in Focus: A Management Guide to Private TV, (Englewood Cliffs, NJ: Prentice-Hall, 1983), p. 15.

Media companies are experiencing continuing audience fragmentation due to dramatically increased competition.[42] There is no question the media climate is intense both economically and philosophically, both on the corporate and the individual levels. That intensity is most obvious to the public in the battle fought by the traditional broadcast networks against the erosion of audience caused by cable television, home video tape recorder viewing and other forces.[43] Audience fragmentation is generating a top-down pressure from corporate owners on print and electronic media journalists to maintain profit margins; corporate owners who are prone to cut costs drastically through staff reductions and other methods.[44] That increased competitiveness has raised the stakes for coming up with the "best" stories which grab audience attention and sometimes compromise standards.[45] It has also increased the emphasis on packaging the news for marketing reasons. As it becomes more difficult to deliver large audiences to advertisers, all media dependent upon advertising revenues are faced with the same predicament. The electronic media provide the clearest example of what is happening media wide. For the most part they are long-time public corporations, which means their financial data is much more readily available than family-owned newspapers, or chains like Scripps-Howard that have only recently "gone public" in offering their stock to non-family purchasers. Those chains, despite public company reporting requirements, are still effective in disguising their profit margins. Newspaper executives frequently remain vague relative to their specific profit margin requirements.[46]

---

[41] Ogilvy, pp. 21-24.

[42] George Comstock, The Evolution of American Television, (Newbury Park, CA: Sage Publications, 1989), pp. 34-35.

[43] Won Young Kim, Stanley J. Baran, Kimberly K. Massey, "Impact of the VCR on Control of Television Viewing," Journal of Broadcasting and Electronic Media, (Summer 1988), pp. 351-358; Richard Zoglin, "Caught in the Cross Fire," Time, (Sep. 3, 1990), p. 69.

[44] Zoglin.

[45] James G. Webster and Gregory D. Newton, "Structural Determinants of the Television News Audience," Journal of Broadcasting and Electronic Media, (Fall 1988), p. 387; Dusty Saunders, "Pit-bull Fiasco Reveals Deeper Problem," The Rocky Mountain News, (Sep. 23, 1990), p. 158.

Impact of Contemporary Economic Considerations on American Media:

The economic consideration of maintaining profits, despite audience share decline during a period of a less than robust economy, has increased the tension in American media between the business owners and their editorial employees, people who work on something they frequently see as more than just another assembly line product. Journalists often engage in their profession as much for the intrinsic motivations as the extrinsic. They tend to be highly creative people who require a sense of belonging to a special group. Money is of less importance to them than non-financial rewards such as doing meaningful work and contributing to the good of society.[47] Thus, American mass communication and society are intricately interwoven from the concept of the First Amendment to the perception of special meaning many contemporary American journalists attach to their profession.

On the electronic side, as television stations have searched for ways to fix their well-publicized audience problems, they have become increasingly dependent on industry consultants and the importation of packaging techniques that have worked in other markets. That has produced a kind of "homogenization" of television as regional diversity has eroded.[48] The result is more of what is called "pack" journalism which extends throughout electronic and print media.[49] "If they are there with their anchor, (or columnist, editor, reporter) we must be there with ours," appears as much a decision-making concern as the actual news value of the story being covered.[50]

---

[46] For example: the chairman of the board of directors of the Rocky Mountain News said, in an interview Nov. 7, 1990, "I don't know if I can give you a figure," when asked specifically what kind of profit margin his paper needs to survive. The closest he came to being specific about the financial condition of his paper was his statement that, "this paper has never enjoyed great profitability."

[47] Lavine and Wackman, p. 188.

The concentration on fiscal aspects of the media business, and the parallel concentration of print and electronic media outlets in the hands of a limited number of giant corporations is well documented by Bagdikian (1990).[51] Some major newspaper chains force the adoption of corporate formulas, both in newspaper makeup and tenor of papers they take over, but that can backfire, as it did on Gannett in Little Rock, Arkansas.[52] The emphasis on profit resulted in a "shuttling editors in and out re-defining news."[53] Often the editor is faced with making both journalism and marketing decisions, choosing between opposing values. Large chains often make sure the favored choice will be the decision likely to increase immediate profit.

---

[48] Michael Morgan, "Television and the Erosion of Regional Diversity," Journal of Broadcasting and Electronic Media, (Spring 1986), p. 135.

[49] Herbert J. Gans, Deciding What's News: A Study of CBS Evening News, NBC Nightly News, Newsweek, and Time, (New York: Vintage Books, 1980), p. 177. "Pack Journalism" is a commonly used term in the journalism profession in reference to the story that has such appeal the whole "pack" chases it. Examples occur nearly every day and range from Watergate to the little girl who fell down a Texas well in the late 1980s and held national attention for several days as rescuers attempted to get her out. "Pack Journalism" is caused by competitive considerations, according to Gans. "Story selectors may choose stories because they expect the rival to do so. From time to time, story selectors use stories they do not consider particularly important or good, for although they can justify their omission to each other, they cannot risk the possibility that an executive will later ask why they left out a story carried by the opposition."

[50] Kevin Goldman, "Mideast Tensions Spur Ratings Boost of TV Newscasts," The Wall Street Journal, (Aug. 8, 1990), p. B-2.

[51] Ben H. Bagdikian, The Media Monopoly, (Boston: Beacon Press, 1990).

[52] Jonathan Kwitny, "The High Cost of High Profits," Washington Journalism Review, (June 1990), p. 28.

[53] Ibid.

> At some chains as much as 50 percent of a top editor's pay can depend on the profit performance of the newspaper. "Suppose you meet all your precise goals--a new section, better sports coverage, whatever--and the newspaper has a 10 percent shortfall on its profit goals. You can kiss your bonus goodbye," says one Knight-Ridder editor.[54]

The inherent tension of the journalism work climate, then, has increased because of expanding competition across American media. In the face of declining profits, traditional markets are being fragmented. Media businesses, ranging from television networks to major daily newspapers, are trying to cut costs and increase productivity while their tendency to adopt formula approaches across markets decreases diversity. That makes the problems of management in all media more difficult, requiring a more sophisticated view.

In the last twenty years particularly, American mass media have undergone the same acquisition gamesmanship that has permeated most other business sectors. Owners have bought and sold firms in widely diverse geographic, economic and cultural areas as the media have coalesced into ever larger firms tending to use formula approaches throughout their chains. Bagdikian (1990) outlines that process as a negative influence. In his view, the cultural development and health of both American mass media and society are being dangerously compromised. His concept of the way a few major corporations control the marketplace of ideas can be extended to the question of control and manipulation of individual employees--increasingly small cogs in immense, corporate-driven media wheels.[55] Frequently a new owner brings a style of management and leadership with him and "plugs it in" to the new environment with little absorption of the existing corporate culture.[56]

---

[54] Ibid.

[55] Bagdikian, pp. 180-181.

[56] Mark Lagerkvist, "Owner Makes Millions, News Takes A Beating," Washington Journalism Review, (Dec. 1988), p. 40.

As media companies have merged such corporate culture shock has become relatively common. For example, it expanded in the 1980s in the American television industry, because of deregulation which spurred station sales and corporate takeovers.[57] Such radical change in company ownership and management often produces upheaval, alienation of employees, radically different market approaches, sometimes success and sometimes failure.[58] The problem is the perception that companies (often diverse in myriad aspects) are just cogs in huge conglomerate wheels. One critical factor in the rise of the industrial revolution was the interchangeable part. But media companies are not mere machines easily intermingled with banks and insurance companies and meat packing plants. While certain business fundamentals are similar, the cultures of the businesses are frequently disparate and the balance sheet often depends on socio-cultural elements which may be beyond the vision of the insurance executive who suddenly controls a broadcast network. Newspapers and television stations and their markets cannot simply be interchanged without major adjustments despite the well documented trend in homogenization of mass media in the United States.[59] But while media companies may have homogenized themselves and their products, the fact that audiences continue to fragment seems proof those audiences are anything but homogeneous.[60] In one sense a less diverse media is trying to tie itself to an increasingly diverse audience.

One of the problems in mass media organizations is that they are distinctly different from the fundamental business model from which prevailing management theory has evolved (specifically the assembly line industrial plants examined by Taylor, [1911], and Mayo, [1953]). There the challenge is "managing hands," whereas, in the information company, the task is "managing minds."[61] On the news/editorial side, the generally high level of education among journalists is a major part of the management equation in mass media organizations. All of the reporters and editors in the Gaziano and Coulson study (1988) of two metropolitan newspapers had "attended college."[62] Similarly an earlier analysis (Gans, 1980) found that "all but a small handful" of national level journalists were college graduates.[63] On the electronic side of journalism some 90 percent of reporters and 89 percent of producers have college degrees with reporters "significantly more likely" to have majored in journalism.[64] Journalism education has some eighty thousand to ninety thousand students enrolled each year in the over two hundred university level programs in the United States studying the many aspects of mass media and society.[65]

---

[57] "Two Years of Intensive Deal-Making," Channels, (April 1986), p. 38.

[58] Lagerkvist.

[59] Morgan, p. 135.

[60] Sherman, p. 48.

Considering journalists' high level of education, and the research that shows the need for journalists to have a sense of purpose in what they do, more of a coaching approach to management appears more likely to increase journalists competitiveness. As a major electronic media consultant stated, there are distinct parallels between managing a news organization and leading a professional football team. His six point checklist of essential elements for the effective news organization is as follows:

1. Recruiting. Get the best athletes, period.
2. Conditioning. Get them in shape, keep them in shape.
3. Training. Teach them your system.
4. Strategy. Plan the season, and the game.
5. Performance. Review every play with every player, every game.

---

[61] Ogilvy, pp. 21-24.

[62] Gaziano and Coulson, p. 872.

[63] Gans, p. 209.

[64] Conrad Smith and Lee B. Becker, "Comparison of Journalistic Values of Television Reporters and Producers," Journalism Quarterly, (Winter 1989), p. 796.

[65] Philip Gaunt, "The Training of Journalists in France, Britain and the U.S.," Journalism Quarterly, (Fall 1988), p. 584.

6. Discipline. The price of excellence is discipline. It's attention to every detail. It's adherence to a system. Ultimately it's motivation to excellence.[66]

As the example underscores, the effective "coaching" of the media organization hinges on the ability to motivate people. In an industry which is undergoing continual technological change, Bewley insists managers must not become so inebriated with their hardware they forget what really counts in television news. Despite expensive technological advances, three-quarters of a television news department budget is still "related to salaries and direct people costs."[67] Considerable audience research continues to show, the consultant claims, that the people on television newscasts trigger the most comment from viewers. Thus, in Bewley's view, it is ironic that "we treat our toys with far more respect than we do our people."[68]

Communication and Power within Media Organizations:

There are key areas of conflict in all organizations which cause inherent friction; that friction can not only slow down employee productivity, but can cripple an organization unless it is controlled.[69] It is the worker's perception of being part of the organization that is the key. The "motivational roadblocks" workers dwell upon create psychological malaise which ultimately degenerates into cynicism and burn-out.[70] These include thoughtless management decisions, lack of a sense of teamwork, poor communication between management and employees, a management that is distant or unclear, inconsistent policy and decisions, lack of recognition at the individual level and lack of opportunity to grow.[71] Understanding the employee--and that means realizing in mass media organizations that news employees are, as discussed, highly educated and driven as much by intrinsic as extrinsic values--and nurturing that person's needs are critical because of the positive relationship of employee satisfaction and productivity.[72]

---

[66] Ed Bewley, "A Master Game Plan for News Staffs," Electronic Media, (Aug. 27, 1990), p. 18.

[67] Ibid.

[68] Ibid.

[69] James L Gibson, John M. Ivancevich, James H. Donnelly, Jr., Organizations: Behavior, Structure, Processes, (Plano, TX.: Business Publications, 1988, Sixth Edition), pp. 14-15.

[70] Judy Flander, "Pressure and Stress in the Newsroom," RTNDA Communicator, (May 1986), p. 14.

One of the primary tasks of a leader, along with understanding his or her subordinates, is communication. That is true in mass media and society, in business, politics and fundamental social intercourse. Communication has a "symbiotic relationship with conflict."[73] The way in which the communication process takes place can exacerbate a given situation, hold it neutral or eliminate conflict issues.[74] Explaining what is going on is a critical role that is fundamental to leadership because "people want to know what the problem is, why they are being asked to do certain things, how they relate to the larger picture."[75] Additionally, the "young potential leader must learn early to cross boundaries and to know many worlds,"[76] serving both the management above and those who follow below. In effect, mid-level managers (department heads and first-line supervisors) walk a tightrope of trust which, unless balanced upon with great care, can cause them to slip into extremely negative consequences since emotionally charged, "zealous subordinates, trying to interpret vague statements from the top, frequently take strong action in the wrong direction."[77] The view of conflict has changed throughout the development of management theory to the current concept of its being a positive force if kept at no more than a moderate level. That way employees retain conviction and are willing to champion causes and take risks, but not to the degree they rebelliously disrupt the organization and render it dysfunctional.[78] The goal in such management of conflict is for companies to "develop strong cultures to gain the commitment not the compliance of employees."[79]

---

[71] John Persico, Jr., "Employee Motivation: Is It Necessary?" Small Business Reports, (Mar. 1990), pp. 34-37.

[72] Kenneth E. Hultman, "The Psychology of Performance Management," Training and Development Journal, (Jul. 1988),, p. 39.

[73] Linda L. Putnam, "Communication and Conflict," in Managing Conflict: An Interdisciplinary Approach, ed. M. Afzalur Rahim, (New York: Praeger, 1989), pp. 67-68.

[74] Ibid.

[75] John W. Gardner, "The Tasks of Leadership," in Organizations Close-up: A Book of Readings, gen. eds., James L. Gibson, John M. Ivancevich, James H. Donnelly, Jr., (Plano, TX.: Business Publications, 1988, Sixth Edition), p. 224.

[76] Ibid., p. 225.

It is the use of many forms of power that is a key to being an effective leader/manager in mass media, society and business. Those, as analyzed by Kanter (1977), include the power to reward, the power to punish, expert power in the manager perceived as an expert, referent power (held by those seen as personally attractive, with charisma, and thus able to form positive individual relationships because of their personality or behavioral style), and what's termed "legitimate power" or that accorded by the title or official role of the individual.[80]

In the fast changing, dynamic business of media companies people often find themselves in a position of trying to preserve self while at the same time being concerned about those who have worked for them. Relationships constantly adjust. The problem is worsened when a company changes hands. The result of such a major change in the corporate culture of a company is "to shift the relative position of functions with respect to one another and to account for the balance of power between people who depended on each other across functions."[81] That makes the issue of trust a survival one at a time of upheaval and often extreme anxiety. It is not surprising then that "honesty" was the number one ingredient among six common leadership traits that followers expect in a leader, according to a large survey of workers (10,000 respondents).[82] Yet that word "is almost totally ignored in supervision, leadership and management books."[83] Perhaps that is because things like "honesty" and "trust" are not easily quantifiable. They are the qualitative magnets amongst human beings that pull them together. But employees are extremely fragile. "Building trust in high reliability systems is difficult because so much is at stake."[84] In a corporate life and death struggle, trust is the essence of survival encompassing everyone who works in a media organization from the Chief Executive Officer to the janitor. They are all what Drucker (1987) terms "stakeholders," in effect psychological part-owners. And "somehow the various 'stakeholders' have to be brought into the management process."[85] When employees don't have confidence in themselves or trust management they

---

[77] Rosabeth Moss Kanter, "Change Masters and the Intricate Architecture of Corporate Culture Change," in Organizations Close-up: A Book of Readings, gen. eds., James L. Gibson, John M. Ivancevich, James H. Donnelly, Jr., (Plano, TX.: Business Publications, 1988, Sixth Edition), p. 410.

[78] Thomas J. Bergman and Roger J. Volkema, "Understanding and Managing Interpersonal Conflict at Work: Its Issues, Interactive Processes, and Consequences," in Managing Conflict: An Interdisciplinary Approach, ed. M. Afzalur Rahim, (New York: Praeger, 1989), pp. 7-9.

[79] Dean Tjosvold, "Organizational Conflict: Introduction," in Managing Conflict: An Interdisciplinary Approach, ed. M. Afzalur Rahim, (New York: Praeger, 1989), p. 3.

[80] Kanter, "Power," p. 284.

> ...frequently perform below potential to avoid exposure, and they resist change because of a fear of performing poorly. Lack of confidence leads to avoidance

---

[81] Ibid, p. 285.

[82] Milt Grassell, "Supervisory leadership skills for supervisors," Supervision, (Jan. 1990), p. 4.

[83] Ibid.

[84] Karl E. Weick, "Organizational Culture as a Source of High Reliability," in Organizations Close-up: A Book of Readings, gen. eds., James L. Gibson, John M. Ivancevich, James H. Donnelly, Jr., (Plano, TX.: Business Publications, 1988, Sixth Edition), p. 22.

[85] Peter F. Drucker, "Management: The Problems of Success," in Organizations Close-up: A Book of Readings, gen. eds., James L. Gibson, John M. Ivancevich, James H. Donnelly, Jr., (Plano, TX.: Business Publications, 1988, Sixth Edition) p. 11.

values as people seek to protect their self-esteem, and on-the-job performance inevitably drops.[86]

The Poverty of Leadership Research on Media Organizations:

There is a wealth of academic research on the various mass media and society forms; however, it is strikingly spare on the issue of management leadership and human dynamics as they affect internal mass media industry message making. Journal articles in the media studies field generally tend to focus on quantifiable issues, frequently dealing with audience effects.[87] There is considerably less qualitative work on the techniques of management and leadership within media organizations. It is as if by concentrating on quantifiable media economic structures on one side (which cause remarkable similarity in things like major network newscasts) and audience effects on the other, the issue of how people interact within the media organizations themselves, are led or refuse to be led, is largely ignored.[88]

Most mass media research, if it touches on the question of "leadership" at all, does so infrequently and in generalized terms without then going on to discuss what "leadership" is. Research has shown that "media management is identified with strong human skills in leadership and motivation."[89] The question is how to help media managers develop those "strong human skills in leadership and motivation." Repeated comments like "the leadership role is, of course, paramount"[90] are found scattered throughout the literature, but without substantive development of just what leadership is.

---

[86] Hultman, p. 36.

[87] For example: Dennis T. Lowry and David E. Towles, "Prime Time TV Portrayals of Sex, Contraception and Venereal Diseases," Journalism Quarterly, (Summer 1989), pp. 347-352.

[88] Comstock, p. 107.

[89] Sherman, p. 61.

[90] Ibid., p. 66.

It is curious that so much study of how the media affects the audience has been done, but so little on the hows and whys of the way the mass media organizations function as collections of human beings. That is particularly curious considering that mass media organizations deal with highly value-laden material which is constantly being interpreted and analyzed by the individual humans processing it. Those humans work under an overpowering, sometimes covert, but often overt, organizational culture command to "make a good story," to which their success and continued employment is directly tied.[91] Journalism has always been highly subject to the nuances of structural determination balanced on human interaction within media organizations. It does not take very long for journalists working in a mass media organization to find out that, in the eyes of management, what they are there for is to turn out what management wants. That results in bias in both content selection and treatment because, "they put their jobs first and the truth second,"[92] which poses serious questions for mass media and society beyond the scope of this research.

---

[91] Frederick Lewis Allen, "Newspapers and the Truth," (reprinted from Atlantic Monthly, January 1922) in Killing the Messenger: 100 Years of Media Criticism, ed. Tom Goldstein, (New York: Columbia University Press, 1989), p. 239.

[92] Ibid., p. 242.

DATA GATHERING PROCEDURE

A preliminary study of management style change at the *Rocky Mountain News* was begun during November 1990 with a series of in-depth interviews and on-site observations. The focus of the study is to document perceived efforts by senior management to shift decision-making style at the newspaper in order to increase the *Rocky Mountain News*' competitive posture and defeat its primary competitor, *The Denver Post.* The study is guided by the following research questions addressing the themes of management engagement with various employee levels.

RQ-1 Do senior managers at the *Rocky Mountain News* agree that a true management style change is occurring?

RQ-2 Do senior managers say a shift in management philosophy at the *Rocky Mountain News* is producing tangible results?

RQ-3 How long do senior managers say it will take before the change in management style at the *Rocky Mountain News* is completed?

All managers were cooperative in the research and agreed to the tape recording of their interviews.

The first to be interviewed was W. W. Fletcher, chairman of the board of directors. The interview was conducted in the newspaper's conference room for approximately one hour and fifteen minutes. Fletcher began at the *Rocky Mountain News* in 1952 in the dispatch department, working his way up through advertising and labor relations. He was president and general manager for 20 years (1970-1990), and evidenced considerable pride in the growth of the newspaper during that period. He pointed out that, "when I became manager of the paper in 1970 we were operating with 14 units of press, and today we have fifty-six." Fletcher indicated his newly created position of chairman of the board was created to allow a smooth transition to a new publisher as he phases into retirement.

Director of Personnel Don Livingston was interviewed for approximately one hour. He too has a long tenure at the *Rocky Mountain News*, 25 years following the completion of his Bachelor's Degree. He said his father, who spent 31 years working at a newspaper, influenced his decision to enter the newspaper business. Livingston was, like Fletcher, forthright in his opinions. He was more focused on the difficulty of dealing with the six labor unions at the newspaper, and other personnel issues, because those are within his area of responsibility.

The third senior manager interviewed was Managing Editor for Administration Denny Dressman. His interview lasted approximately one hour. Dressman was quite direct in his views about management philosophy. He was also the least optimistic of the three about the speed of change in management style. A former sports writer and editor, he repeatedly answered in rich metaphor, emphasizing that management style change is extremely slow because it deals with people's ingrained habits.

Additional data was drawn from a seminar on newspaper management at the University of Colorado conducted by Michael Howard in November 1990. Howard is a former editor of the *Rocky Mountain News* and grandson of one of the Scripps-Howard newspaper chain founders. His views provide insight to the workings of the ownership of the newspaper, and contrast of an editor dominated philosophy of management to the more participative style currently being developed at the *Rocky Mountain News.*

The field work was necessarily limited due to its nature as a single semester class project, thereby preventing the kind of cultural immersion for an extended period as recommended by such noted ethnographers as Wolcott (1980) and Goetz and LeCompte (1984).[93] However, the observation and interview time-frame was sufficient for data collection in the form of long interviews with managers personally involved in implementing the changes on which the research questions focus. The data would provide a meaningful basis for a full scale ethnographic analysis of the *Rocky Mountain News*. The concept of extracting sections of long interview material which are relative to the research questions is dealt with in-depth by Van Maanen (1988) in which three types of "tales" are detailed as either being used separately or interwoven as the researcher attempts to reflect the cultural experience. "Realist tales" are dispassionate accounts from the informer view. "Confessional tales" allow the researcher to explain personal reflections upon informer assertions. "Impressionist tales" permit considerable expansion of the reflective and meditative themes with an emphasis on the "stories." The concept is, essentially, to utilize the vignettes told by interview respondents to complete the colorization of an otherwise black and white reading of the cultural landscape being studied.[94]

---

[93] Ethnographers generally do not prescribe specific periods of observation. They approach the study of culture from the point of view that the researcher should spend as much time as is necessary to answer the research questions. For example "an adequate period of time to come to know the setting thoroughly" was the time frame set by Harry F. Wolcott, "How to Look Like an Anthropologist Without Really Being One," Practicing Anthropology, (Fall 1980), p. 7. Judith Preissle Goetz and Margaret Diane LeCompte, Ethnography and Qualitative Design in Educational Research, (San Diego, CA: Academic Press, 1984) p. 240, point out the period of data collection "varies from one study to

On the surface the battle between *The Denver Post* and the *Rocky Mountain News* appears to be an economic effort to sustain publication, which can be analyzed using empirical techniques. However, qualitative observation and interviewing techniques provide a sense of how *Rocky Mountain News* management hopes to marshal the powerful forces of human motivation as a tactic to prevail against its competition. Developing human relations themes within the *Rocky Mountain News* culture is seen by senior managers as a critical part of achieving a competive edge. Convinced they are in a fight not only for market dominance, but their very survival, they believe more participative management and employee involvement will provide the newspaper with increasing momentum to achieve the economic goals. It is a perception that their competitor has the same newspaper technology so, therefore, the human resource is the key.

---

another," ranging from months or years, to only a few weeks. The short time-frame studies they, however, labeled "quasi-ethnographic."

[94] John Van Maanen, Tales of the field: On Writing Ethnography, (Chicago: Univ. of Chicago Press, 1988), pp. 45-120.

PRELIMINARY FINDINGS

All three senior managers agreed the *Rocky Mountain News* is in the midst of changing its management style from a version of the traditional Theory X model, to a more contemporary, humanistic approach. The newspaper appears to be aiming toward a combination of Theory Y and Theory Z approaches with teams and quality circles, but retaining a clear line of authority. Substantial effort is being expended to cultivate the sense among employees of being "stakeholders".

Discussion of RQ-1: "Do senior managers at the *Rocky Mountain News* agree that a true management style change is occurring?"

Interestingly the change in management style is not being dictated by a sudden "enlightenment" of the nuances of management theory. In fact, in not a single interview the researcher conducted were the theoretical terms common in academia (X, Y, Z, transformational leadership, situational management) used by the executives. One specifically stated he had "never read a management textbook."[95] Rather, adjusting the management style is seen by those initiating the change as a pragmatic, focused approach to increasing the *Rocky Mountain News*' competitive edge and, as a result, expanding its domination of the Denver market.

> We really truly believe that only one newspaper can survive and the only way this newspaper is going to survive -- so that forces change -- is that everybody is a team working toward the same direction. And that has to include every one of our employees because if we don't have our employees supporting the effort and understanding why we are doing some of the things we're doing, we'll lose.[96]

While much public attention is focused on upheaval in electronic media, as mentioned earlier, it is clear the overall fragmentation of American audience is having a substantial impact upon newspapers as well, since the number of competitors for finite advertising dollars is increasing rapidly. Inside the board rooms of America's major newspaper chains, such as Scripps-Howard, which owns the *Rocky Mountain News*, the fight for circulation and advertising revenues is seen as a battle for survival where a newspaper either dominates or fails.[97] Chairman of the Board, Fletcher, was quite specific naming among his competitors not only *The Denver Post*:

---

[95] Livingston.

[96] Ibid.

> We've got 40 some radio stations. And we've got four TV stations. And we've got cable. And we've got two papers plus weeklies, *Westword* and all those, and outdoor advertising. And they're all scrambling for a piece of that advertising dollar.[98]

It is obvious that top management has been influenced to implement change through workshops and seminars conducted with its consultant Somerville and Company, as well as exposure in various management conferences held by newspaper management professional associations. The same language, down to very similar phrasing, was used to describe the way the labor force approaches the work environment. Fletcher said:

> Probably 10 percent of the people really make the place go...You'll get eighty-five percent of the people who are good, solid employees...And then you get what I call the five percenters. And if I could get rid of the five percenters we'd be a lot better off.[99]

Personnel director Livingston agreed using similar language:

> About 10 percent really run the place and five percent are absolutely trying to destroy the place. And the rest of them are pretty much indifferent.[100]

The self-examination management effort at the *Rocky Mountain News* also revealed a lack of continuity in the way managers throughout the paper were conducting themselves. In effect, it isn't a question of changing a management style, but in changing numerous styles to one, cohesive approach.

---

[97] Fletcher.

[98] Ibid.

[99] Ibid.

[100] Livingston.

> We really have as many management styles as there are managers. That's the real truth of the matter. What you have to do is have everybody work within certain parameters and understand those things and the key is really in the selection process. You can tell really whether someone is people oriented or not. You can also test to determine certain things that will create problems for managers. A lot of people who are in management have very dominant personalities. A lot of people in newspapers and broadcast media have very inflated egos. That very combination makes for some deadly personalities. . . . And you have to watch people because everybody has a backup style and if you're a very dominant personality, and that's why most people in management have dominant personalities They're the people who want to be the scratchers, the people who want to get there and be the best and that sort of thing so they are the ones who excel; end up in management. You have to school those people well because when push comes to shove, what are those going to do? They are going to be like steam rollers and go right over people if you are not careful.[101]

Frequent meetings, at approximately monthly intervals, are held with mid-level managers to indoctrinate them into the new management approach. Those sessions, with about 50 managers normally in attendance, are normally held in the company auditorium.[102] Considering the resistance to change of those with substantial tenure at the newspaper, as noted earlier, it is questionable those meetings are having much impact on any but relatively new employees. The scion of one of the Scripps-Howard chain's founders, and former editor of the *Rocky Mountain News*, Michael Howard, is one who believes newspapers require dominant editor personalities, not the more participative effort embraced by current management.

> I understand that there are more meetings at the Rocky Mountain News now, every day, than we would have in a month. We used to have a daily staff meeting around 4 in the afternoon and anybody could come to it. It was no big deal.[103]

But to current management the increased use of meetings, to convey not only day-to-day information but a philosophy of running the newspaper, is crucial.

---

[101] Ibid.

[102] Ibid.

[103] Michael B. Howard, former editor of the Rocky Mountain News, during a seminar at the University of Colorado, Nov. 14, 1990.

> We are getting a lot more committees than we had before. But we have people in charge of those committees. . . . And the ground rules are you are not here to run the place necessarily. You're here to make suggestions. And once you make a suggestion you are entitled to an answer. Yes, we will do this or no, we won't, and this is why we won't. And if you treat people like that you continue to have that effort. . . . . You're right! If you rule everything by committees you go bankrupt because a lot of suggestions will cost you huge sums of money which you can't afford. But you've got to tell that to people. This is a good idea and in the right time and place maybe it'll be successful, but right now, we can't do it.[104]

The literature on management and leadership reflects the difficulty of effectively motivating employees. And doing that within creative environments is particularly tricky, something of which Managing Editor of Administration Denny Dressman is acutely aware.

> I believe that no one, virtually no one, ever performs to their full potential. And I believe that the greater the talent in a person, the farther from their potential they perform. And so, I believe that if you take people of average ability, or limited ability, and motivate the hell out of them, and, and work with them and encourage them, their desire is so great, to do as well as they can, that you have a much higher chance of getting the most out of them than you do getting the most out of a great talent. If a great talent excels, that great talent excels, I think, for two reasons. One, because they are motivated, not because you motivate them. And because you have found a way to tolerate them, to interact with them in a way that allows them to take their own motivation in a direction that they want to go.[105]

Dressman sees the organization as complex, that it is not a single thing but an intricate collection of extremely diverse individual human beings that requires careful communication across organizational boundaries.

> There is one fundamental that applies to all talent levels and all personality levels and all of that. And that is to communicate to the individual that they are important and that you respect what they value.
>
> I have a philosophy that I try to live by in managing people. And that is: if it's a problem for you, even if I think it's the stupidest thing in the world, it's a problem for you, and I can't communicate to you that I think it's dumb. I have

---

[104] Livingston.

[105] Denny Dressman, Managing Editor for Administration, the Rocky Mountain News, interviewed Nov. 30, 1990.

> to respect that it matters to you, and I have to help you deal with it. I have to show an interest in you, in your well-being, in you as a person.[106]

With change in the operational environment requiring different approaches and skills has come an effort by management to measure success and failure.

> As far as performance appraisals we really use a system that's called personnel dynamics profile (PDP). It's done as something we buy. The reason we use that is it's easy and consistent throughout the plant. The only place it's not used is in the editorial department or in some in the production areas where they have refused to allow us to do it. Because the reality is when you're dealing with labor law that's a mandatory subject of negotiation, so you can't just unilaterally implement performance appraisals in union covered areas without negotiating it with the union, and in production areas, that is something they fear a great deal.[107]

One way to reduce that fear is to make clear what is going on. Employee involvement is seen by senior managers as a solution to the problem of fear and uncertainty. It requires top to bottom integration within the organization.

> We are trying to get as many people involved in the quality of what we are doing as we can and trying to push down the level of decision making as far as we can push it to the degree that the individual has the knowledge to make the decision.[108]

That has meant considerable emphasis on training both managers and production employees to work in a more participative environment.

> We've had some management training sessions, and in those meetings where we brought in a trainer to help in management techniques and, we had a series of teams there and I insisted the teams be mixed, that there be representatives of different departments on each team so that we didn't have all advertising people and all production people, and that gave a lot of these people the awareness of what goes on in other departments, and what their problems happen to be, and the things that frustrate them the most.[109]

---

[106] Ibid.

[107] Ibid.

[108] Fletcher.

[109] Ibid.

Such forced integration of manager and worker increases the need for a kind of socialization, de-emphasizing command and control while expanding person-to-person relationships.

> I think the key we need for the future of management is, if you are not a people person, you should not be in management. That's an over-used term, but there's a lot of people in management that really do not care about people. They say they do, but they really don't. They have trouble putting themselves in somebody else's position.[110]

Thus, an affirmative answer to the first research question, RQ-1, "Do senior managers at the *Rocky Mountain News* agree that a true management style change is occurring?" is supported.

Discussion of RQ-2: "Do senior managers say a shift in management philosophy at the *Rocky Mountain News* is producing tangible results?"

The managers emphasized that changing the management style of the *Rocky Mountain News* is a process that, in its third year, has only begun and will take a considerable time to complete.

> I think it may have made a few changes in a few little ways. But I can't say that there has been any dramatic transformation yet. It just doesn't happen that quickly, in my view. I don't think that all of our, all of the what we call directors, those people who are the heads of all the various divisions of this company, I'm not sure that they all are yet managing in a new style.[111]

The effort to draw more people into a more participative approach is focusing on creative team approaches to specific problem solving. Fletcher identified one effort which began in the business office and expanded to other departments within four months.

> They started a program called "Quest," and their objective was to improve the quality of service to our customers. In this case our customers being the advertisers not the subscribers. But as they developed theirs, they then thought they had it to a point where they made a presentation to all department heads and invited participation from all the other departments. So that has pretty

---

[110] Livingston.

[111] Dressman.

> much permeated the whole building--who are your customers and how can you perform for them? And if you look at it in this way, the subscriber is the customer in the circulation department, but the circulation is really the customer of the press room. Because if the press room doesn't get those papers in time, they're not doing their job. And the platemakers, the pressroom is their customer, and it's that concept that has worked all over the building. So a lot of this is bubbling up from the bottom.[112]

Senior management's push is driven by pragmatic concerns triggered by a corporate ownership that has changed from a privately held company, to a public corporation.

> It increases the pressure on the local property from the standpoint of more reports, more financial reports, all sorts of things that financial analysts are questioning all the time, so that is the thing that drives corporate the most.[113]

As newspapers have changed from closely held family operations to huge media conglomerates, there are those who fear the emphasis on financial numbers is transforming the newspaper industry into just another retailing business without the journalistic fire of a passing era. One of those is former *Rocky Mountain News* editor Michael Howard, who charges flatly that,

> there are heads of media companies who themselves are so numbers oriented, they are kind of Bob Cratchit types; number crunchers; that's what they are, Bob Cratchits.

With the change of newspaper culture from family business to public conglomerate, Howard believes, has come the dilution of decision making power that has led to the need for a wider base of decision makers. He sees participative management as serving to make accountability more difficult when things go wrong and corporate decides someone must be punished for the failure. Howard also believes erosion of editor power softens the personality of a newspaper and is contrary to the key operating guide Scripps-Howard used in its private company days.

> The "blue book" was the operating manual for newspapers that Mr. Scripps and my grandfather, Mr. Howard, put out. It succinctly laid out who had the power

---

[112] Fletcher.

[113] Ibid.

> and who didn't have the power. You may wonder how Scripps-Howard got along for 70 years without ever having a publisher. You want to know the answer? The editor was the publisher. He had absolute veto power over every piece of printed material in the paper.[114]

Current management, however, sees such a view as an anachronistic, out of touch with a changing employee environment. A publisher has been installed to force just the shift in power that Howard criticizes.

> The problem that's inherent in not having a publisher is that you have an editor that's over the editorial function and a general manager who's over everything else. The editorial department just goes off and does its own damn thing, and, if you tell them they're doing things wrong, they say tough. Now that you have a publisher, you can go to the publisher, and the publisher can say we're not going to do things like this any more.[115]

An element of the shift in decision-making, editor empowerment, and encouraging employee participation in the management process, is the changing social environment.

> There are a lot of people who are just working to have a job. They don't have any great career. It's true; they don't have any great career goals. . . . There are a lot of people who are in two income families, where they got the job to help with the family income. In fact, in one session we had, our editor was talking about career women, and we had a focus of the paper on that, and I simply made the comment let's not make the mistake of thinking that all working women are career women. They're not. There are a lot of them, but a lot of them are just women trying to supplement the family income. They come in every morning, they do a good job, and they're first ones out of here at 5 o'clock. That's fine.[116]

Such a perspective of varying motivators among employees requires a recognition that workers have different personal viewpoints and approaches to the work environment which need attention.

> One of the things I discover constantly around here in management, one of the things we don't do very effectively, and I am not doing it now at all probably, is listen. When I test people in management as to their ability to listen and comprehend what's said, we don't do very well. And I don't think much of

---

[114] Howard.

[115] Livingston.

[116] Fletcher.

> management does really because we have not learned to listen. We have learned to tell or sell and not really get the input from our employees.[117]

Interestingly, in the effort to change management style at the *Rocky Mountain News*, the last department still to be integrated is the province of the editor which continues to avoid substantial influence from the personnel department.

> We screen in all the other areas except editorial. Screen means when we send somebody to them, we are satisfied based on our interviewing and testing of them, different tests in different areas, to see if this person hopefully could perform in the top 25 percent of the employees in a department. The editorial is all by itself. Quite honestly, if you suggested to most reporters that they go to a personnel department they'd figure I don't want to work there; those people are nuts. Those people don't even know what's going on. That's the attitude, and that's not going to change overnight.[118]

The change in approach has been easier to achieve in higher ranking managers. That may be because it involves a smaller number of people. Also, mid and upper level executives may be more likely to see profitability and performance as mutually compatible.

> Now we have some vice presidents. But there are only two of them, and that's a new concept for Scripps-Howard because the only vice president that ever existed in the past was corporate. The Rocky Mountain News is working towards vice presidents. . . . We have started meetings recently with mid-management people where we get 50 in the auditorium once a month and put together a program with them to communicate better with them and feel part of the team and everything else. They are part of the team but they haven't necessarily been handled as part of the team in the past because the form of communication was we'll tell the directors and let them tell their people. The good ones, that communicate well, did; the bad ones didn't so we decided well, we can't take this chance anymore, we'd better communicate directly at that level.[119]

Thus, the second research question, RQ-2, (Do senior managers say a shift in management philosophy at the *Rocky Mountain News* is producing tangible results?) is supported in terms of the "shift in management philosophy" definitely being underway. It is dubious whether the shift is "producing tangible results" in terms of higher productivity or profit. It is simply too early in the change process. However, considering *Rocky Mountain News* circulation is continuing to expand dominance over arch rival *The Denver Post,*[120] there is preliminary evidence that RQ-2 may eventually be strongly supported by more extensive empirical evidence available with time.

---

[117] Livingston.

[118] Ibid.

[119] Ibid.

Discussion of RQ-3: "How long do senior managers say it will take before the change in management style at the *Rocky Mountain News* is completed?"

The third research question attempts to fix the time of completion of the shift in management style. The question proved unanswerable. Senior managers indicated the process is still in the infant stage and predicted no specific time frame, nor calendar target, for reaching the style shift goal. And it is clear a large metropolitan daily newspaper is a very complex organization within which to attempt to affect such change.

> A newspaper is a culture and within a newspaper are many subcultures. . . . There is the subculture of the editorial office which ought to be ultimately the subculture of the editor himself, but there is an interrelationship on some newspapers between the editor's office and the publisher's office, and there's another subculture downstairs. And then you have a subculture of the marketing department.[121]

The list could continue through all the other departments from advertising to circulation to stringers, each with a different perspective, a different vested interest in management's decisions, with different managers who have varying skills and personal agendas.

> We have around here right now the same kind of problems that all management has. We have finger pointers; we have managers who cannot admit that they have ever made a mistake in their lives and probably don't make many because they probably talk to somebody else and have them make the decision or they talk to lawyers and get the lawyer's advice; they're ultimately responsible for their decisions but they'll never admit that. They'll blame their failures on somebody else, and they'll finger point, and we certainly have that here. We

---

[120] "News sets mark for Sunday sales: One-day record of 438,183 reported," Rocky Mountain News, (Nov. 25, 1990), p. 14.

[121] Howard.

> have managers who are incapable of making decisions; we have managers who are Jekyls and Hydes. In front of their superior they are very friendly and seem to be part of the team, but they don't believe in it; they haven't bought into it. You find out about that when you do exit interviews for some of their employees in their departments and start working with them, and realistically, you have to go through the same process with managers as you do with employees. You don't hire people to fire them, but on the other hand, if they can't change their attitudes, then you have to go through progressive discipline and give them warnings and give them so much time to correct or else and, if need be, eliminate them. It's not pretty, and you don't do it all overnight, and it's not the way you want to manage change, but sometimes it's the way you eliminate someone who can't change.[122]

One of the fundamental ways management is attempting to accelerate the acceptance of its more participative approach is through more effective internal communications.

> We just recently took our in house communications organ out of promotions and put into the employee relations department so that we could do a better job of communicating with our employees. . . . Almost every week we have attachments to paychecks communicating one thing or another to our employees. What we are really trying to do is get rid of some of the grapevine around here which typically leads to bigger problems and allegations that we're doing terrible things and have horrendous plots that we've never even considered. But that's what happens with grapevines.[123]

Change clearly has triggered a level of uncertainty among employees at the *Rocky Mountain News*. Management is focused on insuring they understand it is not just a passing fancy, but that the newspaper is on a very different road from that which it has been traveling with respect to the way it deals with its employees.

> If anything dramatic has been accomplished, so far, I think it is only to demonstrate to people that the initial effort was not a passing fancy. That even if it has some false starts, and some starts and stops along the way, that we are gonna try to do something to try to improve, to improve and change things. But my personal view is that we are not yet, and are far from being, a model of successful change.[124]

---

[122] Livingston.

[123] Ibid.

[124] Dressman.

In fact Dressman, the most directly involved in the operational level of all departments of the newspaper, seems to see the process of change as never ending.

> It's very much like dropping a rock down a well. When you let go of the rock, you haven't changed a thing. When it hits the water, it's not finished. It's not finished until the last ripple hits the edge of the well. And the time between when the last ripple hits the edge of the well and the time when you let go of the rock at the top of the well is forever.
>
> RESEARCHER: What about the problem of the troops out there thinking, in the early stages of a transition which basically we're in now, "Oh those clowns in the executive offices have just read another best seller?"
>
> DRESSMAN: That's what happens between when you let go of the rock and when it hits the water. And when it hits the water, they say, "Oh, shit, they really are doing something. It'll never last." And then if the ripples keep washing ashore, all those staffers on the wall of the well finally keep saying, "Gee, the waves keep coming, the ripples keep coming. I guess that was a pretty big rock.
>
> RESEARCHER: This has been going on now for three years. Has it made any difference? Is the Rocky a better paper, or is it not?
>
> DRESSMAN: As I said, I think we're barely out of the gate, even though it's been some time. And I guess maybe the rock's about to hit the water. And, you know, I think it will pick up speed.[125]

---

[125] Ibid.

CONCLUSION

There is substantial tension within media organizations being intensified by audience fragmentation which extends across media technological boundaries. It is as though the journalism and business professionals in print and electronic media alike are in a tug-of-war pulling in opposite directions. Newspaper owners are increasingly cognizant of marketing elements including graphics design, use of color and "more cooperative programs with advertisers to expand ads and circulation."[126] Senior management concentration on the financial aspects of the newspaper business, and efforts to employ different techniques to boost profits, can be viewed negatively from within the journalism profession. Journalists have a basic, defensive attitude about any interference directly from advertisers.[127] That is easily transferred to a distrust of the corporate office seeking to increase profits with new marketing or management strategies. For example, one former major newspaper editor criticized what he called "the Harvard MBA approach to newspapering." Emphasizing that newspapers are not simple retailers that just sell shirts or other products, he underscored that they have a unique, self-acclaimed responsibility as the "fourth estate." Along with the advertising they carry, "newspapers believe they have a vested right to tell you how to do your life."[128] Indeed, even in newspaper organizations in transition, like the *Rocky Mountain News*, the editorial department (as apart from the retailing functions of advertising, composing room, production, etc.) is the last to be integrated into team management. The traditional autocratic domination of a newspaper editor is reinforced by the self concept of reporters and editors in the editorial department. That is a sense of being part of something quite separate from what are seen as the business considerations of the publication which employs them and pays their salaries and benefits.

---

[126] George Garneau, "Knight-Ridder to test futuristic newspaper concept," Editor & Publisher, (Oct. 6, 1990), p. 12.

[127] Gans, pp. 253-255.

[128] Howard.

> ...one of the worst managed departments in any newspaper is the editorial department. It really is. There is not a lot of management there; they are loyal only to journalism. They practice journalism, and they think of management as the opposition. They really do. When you send them to management training as often as I do, I am liable to get snide comments about the training. They don't take it seriously. They have a tendency to call it charm school.[129]

There is a touch of irony in Livingston's view of those he sends to management training sessions. Previously he indicated an almost prideful assertion that he had "never read a management text," as quoted earlier in this study. Yet he urges other executives and managers to increase their knowledge and adopt a new way of managing. He points with pride to his life-long career at the newspaper and learning management concepts by engaging them. "Newspapers have a way, quite honestly, of getting in your blood," he said, emphasizing that his 25 year tenure at the *Rocky Mountain News* has provided him with a great deal of insight through his various capacities.[130] It is understandable that those whose management approaches he is trying to change also have their perspectives of how to run a newspaper in their "blood." Squaring the problem of trying to implement a "new" management approach is the longevity of newspaper employees, many of whom learned their work environment human relations methods within an older newspapering culture. That translates into an entrenched management style that is very difficult to change. One that is not changed just because the senior executives, personnel director and an outside consultant say it should be.

> You're talking about changing somebody's attitude, and, in some cases, they're so set in concrete, because the building blocks are so high after 25 years, they couldn't move them if they wanted to.[131]

---

[129] Livingston.

[130] Ibid.

[131] Ibid.

Additionally, newspapers tend to be heavily unionized, which makes adjusting the work force, from simple lines of communication to job descriptions, difficult. When *The Rocky Mountain News* did a strategic study from which the paper embarked on a concentrated effort to change its management style, it found the "employees listened more to the unions than they did to management."[132] The situation is understandable considering that out of some 1,400 full and part-time employees, all but approximately 250 are union workers covered by collective bargaining agreements.[133]

The most illuminating view of the effort to change management style at the *Rocky Mountain News* came from Managing Editor for Administration Denny Dressman. Dressman has been in the newspaper business all of his adult life, beginning at the *Kentucky Post* newspaper in 1965. His employment history includes five newspapers, including the *Cincinnati Inquirer, Oakland Tribune* and Denver's *Rocky Mountain News.* He has worked in virtually every aspect of the editorial side of the newspaper business from police reporting to editor.[134]

Dressman confirmed most of the implications of management change revealed in the scholarly literature. Principle among them is that such change is a long and sometimes difficult shift of corporate culture and employee psychology; of not only training in the new method, but releasing people from the constraints of a more authoritarian background.

> I think, in this day and age, there are a lot of managers, say 40 and under, who arrive at the moment with the desire and the appreciation for the new management style. And I think there are an awful lot of them who are suppressed right now, by the old management style. And I think if you could get new managers at the top, you'd have a lot of managers at the mid-level, right now, who are struggling and seem ineffective or seem marginally qualified as

---

[132] Ibid.

[133] Ibid.

[134] Dressman.

> managers, who would suddenly flourish because they would be allowed to be themselves.
>
> I have seen people here, whom I know outside the newsroom, who are fun, good-hearted, caring people, well organized, resourceful, knowledgeable; who were successful as staff-level people; who got into management because of their accomplishments in the field; who then had to stop being themselves in order to perform as managers according to the prevailing management style of the newsroom, or the department, or the company. And they are not nearly as effective in a variety of ways. They're not as efficient. They don't solve problems as effectively. They don't engender the kind of loyalty and effort from their staffs as you would have thought they would.[135]

Dressman, like many journalists, often speaks in metaphor. A natural storyteller with a quarter of a century of practice, he uses stories about himself to make deeply perceptive points about working with people. Which, he emphasizes, starts with being convinced of the benefit of change yourself.

> You have to believe it. You have to mean it. You can't go through the motions. And that's the problem with a lot of managers, I think. I look at a lot of people and I see them. You can almost watch them. They say, "Well, let's see now. I have to respond this way." Or, "I have to show this face now."
>
> I've equated it, in talking with some people, with trying to teach someone how to be a lover. Instead of it being spontaneous and emotional, it's mechanical. "Let's see. Now I'm supposed to touch her here." And, "Now I'm supposed to do this." And that's not the way you make love. And, and that's not the way you manage people effectively. You have to mean it. It has to be sincere, interpersonal communication.[136]

Changing management style is extremely difficult and long-term, as pointed out by Ouchi (1981). It is changing the habitual way of doing things for people who, in many cases, have been doing things the old way for decades. Dressman believes, after three years of trying to implement a more humane management style, it is "a horse race in slow motion and we've just left the gate." He specifically identified the key "agent of change" at the *Rocky Mountain News* as Larry Strutton, President, Publisher, and Chief Executive Officer. How fast the race is completed, he says, will depend on "the force of leadership." But he emphasizes it also depends on the time it takes to erase old habits with new ways of reacting. And again, the man and his metaphor makes his point as well, or perhaps better, than some large volumes in the management literature.

---

[135] Ibid.

[136] Dressman.

> I just got a new car. My old car had the parking brake...it had bucket seats...had the parking brake by the console on the right side of the driver's side seat. I had that car for six years. I've had this new car for three months. The parking brake is on the left side of the seat by the door opening. Still, three months later, I rarely bring that car to a stop, turn off the car, and don't reach to the right side of the seat.
>
> When I moved to Denver and learned this new computer system, the front end system that we work with in this newsroom. In Cincinnati the arrow keys that move the cursor were on the right side, which seems to me is where they outta be. The arrow keys on the ATEX system in Denver are on the left side. I bet it took me six months to a year before I stopped going to the right side, at least occasionally, for the arrow keys. I now have a PC at my desk and the arrow keys are back on the right side. Every time I go into the newsroom, I'm, you know.
>
> My point is, we are creatures of habit. And what you're talking about in management style is, to a fair extent I think, an acquired habit.[137]

To be effective a mass media leader has to be much more than an entrepreneurial business executive with a vision, or just another M.B.A. armed with reams of statistics, flow charts and graphs. First and foremost, that person has to be a proficient communicator who understands employee motivation and the special relationship of mass media and society in general, as well as marketing techniques such as product placement. In place of manipulative and autocratic managers must come honest, altruistic leaders with the vision to bring the other caring, complex human beings in an organization together. Only then, in the contemporary world of rapid audience and technological change, will mass media organizations and the society within which they function truly benefit.

The *Rocky Mountain News* recognized the need for such a change. Fletcher sees his company's richest resource, in its battle against myriad forms of competition, as its people. It is an environment in which Theory X, autocratic management is no longer acceptable.

---

[137] Dressman.

> When I started in the business, that's pretty much the way it worked. You had the orders coming down from the top floor, and it was a lock-step situation. That doesn't work any longer.[138]

Changing social attitudes and values are seen as part of the reason the 1990s media company must adopt new approaches to employees.

> In the past you had a lot of people with so-called protestant ethic and that sort of thing who were workaholics. But the people coming out of school now aren't interested in working seventy to eighty hours a week. They are more interested in the quality of life, and a lot of management are still stupid enough to believe that we can force them to change. We're the ones that will have to change, to adapt to what their priorities are, and understand that, and use those things to make them better employees; because we are making them happier individuals and nothing else will work.[139]

But making them "happier individuals" does not necessarily mean they will drive harder to achieve the organizational goals. To do that,

> the only thing you can do is be sophisticated enough, ultimately, to know your employees and know what kind of work force you can create for your employees that is flexible in which they can properly motivate themselves.[140]

Yet, there lingers in all of this human relations conceptualization of "team," and of Ouchi's (1981) Theory Z concept of the company as an extension of self, a need for dynamic, decisive leadership. It is a blending of X, Y, and Z. Somehow media companies that have operated with a kind of military model of command and control have to give their employees a sense of "stake" in the decision making process, while still retaining a sense of ultimate authority in the editor, news director, station manager and publisher. It is an extremely delicate balance in adjusting management style to a new social matrix.

---

[138] Fletcher.

[139] Livingston.

[140] Livingston.

> In order to compete in the society we have today, with a work force that cares about quality work but is not going to make career and quality work their life's ambition, who want more from life than that, the only way to get their peak performance is to recognize all those things, relate to them and manage them in that kind of sensitive way.
>
> I go back to what I said earlier though, that no matter how sensitive you try to be, there must still be an element of discipline and authority and direction. Somebody has to be in charge and somebody has to be there to say no. If your kid wants to play in the middle of the street, you have to say no whether you love the kid or not. Whether you want him happy or not, whether he's gonna cry and not speak to you for a day or not, you gotta say no.[141]

That does not make managing a modern media company easier, but quite the reverse. When all the motivational theory has been absorbed, and all the lines of communications and responsibility and authority have been re-defined, success, above all, demands a leader.

> There are people who can galvanize others. That's really what we're talking about. Somebody who can walk through the newsroom and not count on you to make her or him feel good but to leave you, whoever you are, feeling not that the person you just spoke with is the greatest person in the whole world, but maybe you are.[142]

The challenges ahead for media organizations are manifestly difficult. There is potential for profound change in the interrelationship of mass communication and society, in which the economic system, political system and media system are bound together in a kind of socioeconomic symbiosis.[143] Businesses engaged in producing audiences as a product for advertisers have implemented sometimes drastic, short-term tactics to preserve market share and cut costs.[144] But they have not stemmed the flow of advertising revenue to competitors.[145]

---

[141] Dressman.

[142] Howard.

[143] Denis McQuail, Mass Communication Theory: An Introduction, (London: Sage Publications, 1983), p. 64.

[144] Merrill Brown, "The Reign of the Money Men," Channels, (Jan. 30, 1986), p. 21.

[145] David L. Hawthorne, "1989 Ad Revenues Call for Leaner, Tougher Equipment," Television Broadcast, (Jan. 1989), pp. 12, 59.

Management analysts in virtually every other business sector are focusing on development of the human side of the organizational equation.[146] The creative talent, the ingenious person who sees what others do not see, is more critical than ever as technology expands and the marketplace goes through major adjustment. Because of the give-and-take relationship of leadership, the more a leader encourages the led to increase their self-esteem the more bound the followers become to that leader.[147] In effect it is a hand-in-glove situation where the more one improves, the more the other does, like a kind of perpetual motion machine.

There is no question the media organization must get all that its employees can contribute, beyond their elementary job descriptions, to satisfy the organization's customers.[148] The human beings (reporters, editors, writers, producers, photographers) producing journalism have always been at odds with their corporate owners.[149] While the one chases the ideals of journalism, the other chases the ideal of profit. They are opposites attracted to their common medium, hand-maidens in a kind of "unholy alliance," which gets the creativity of the one published helping to generate the revenue of the other.[150] They are counteracting subcultures which require a politically sensitive leadership style which includes coalition building, continual bargaining and persuasion, as well as coercion.[151]

---

[146] Clifton J. Williams, "Managerial Leadership for the 21st Century," Baylor Business Review, (Fall 1986), pp. 22-25.

[147] Joseph L. Curtin, "Putting Self-esteem First," Training and Development Journal, (Oct. 1988), pp. 41-45.

[148] Lavine and Wackman, p. 64.

[149] Roger Mudd, "After the Television Machine Got Hooked Up to the Money Machine," RTNDA Communicator, (Jun. 1988), p. 6.

[150] "The Shaky Symbiosis of News and Profit," Broadcasting, (Aug. 31, 1987), p. 54.

[151] Geoffrey B. Isherwood, "Leadership Effectiveness in Cooperative and Counteracting Groups," Journal of Educational Administration, (Summer 1985), pp. 208-218.

It is ironic that the very nature of contemporary mass media organizations depends on better understanding and communication within, in order to avoid failure without. Organizational defensiveness, which manifests itself in the "Theory X" leadership model common to media organizations, is a natural outgrowth of interpersonal communication. In the work environment, where evaluation and critique are often conducted on a daily or hourly basis, there is a natural tendency for subordinates to become defensive because "speech is so frequently judgmental."[152] Once the employer/employee relationship deteriorates to the defensive level, communication virtually stops.

> Arousing defensiveness interferes with communication and thus makes it difficult--and sometimes impossible--for anyone to convey ideals clearly and to move effectively toward the solution of therapeutic, educational, or managerial problems.[153]

There are distinct parallels to other aspects of life from which our models of how to conduct human relationships are often drawn. The work environment, in the view of *Rocky Mountain News* Managing Editor for Administration Denny Dressman, is not an isolated place. Rather, he sees it as a reflection of a manager's emotions, ideals, dreams and perceptions of reality; the individual's cultural context.

> You either grow up in a caring environment that equips you to care about other people and relate to other people and put them ahead of you, or you don't. If you grow up in that environment, then you're equipped, in my opinion, to manage people very sensitively. Then what you have to learn is the differences in people and what works and what doesn't work. And the other thing you have to learn is how not to be too soft. I mean, you can take sensitivity too far, and you're an ineffective manager because you always give in, you never say no. You know, just like being a good parent, being a good manager involves drawing the line, saying no, enforcing discipline. It's not just encouragement and hand-holding and all that. I think of management, after all the years that

---

[152] Jack R. Gibb, "Defensive Communication," in Basic Readings in Communication Theory, (2nd Ed.) ed. C. David Mortensen, (New York: Harper & Row, 1979), pp. 201-205.

[153] Ibid., p. 208.

> I've been trying to manage people. I find two societal models that apply to management. One is rearing children. And the other is the whole realm of team sports. If you look at team sports, you will see a microcosm of all that I've talked about: the range of talents, the range of personalities, the need to motivate people differently. You handle the superstars differently than you handle the role players. And if you look at families and raising kids, you'll see the same thing. Kids are not all the same, and so you've gotta be tough with one kid, and one kid is going to excel whether you pay any attention to him or not. And another kid's gonna have to have encouragement and, and things matter to kids that parents think, "this is silly, why are they so upset about this?" But the point is, it matters to them. And if you don't help them with it, you haven't helped them.[154]

---

[154] Dressman.

The Rise and Fall of the Distress Sale:
A Strange Case of Comparative Broadcast Policy-Making

Alan G. Stavitsky
School of Journalism
University of Oregon
Eugene, OR 97403-1275
(503) 346-5848
Internet: AGS@OREGON.UOREGON.EDU

Submitted for presentation to the Radio-TV Journalism Division
at the annual conference of AEJMC, Boston, August 1991.

The Rise and Fall of the Distress Sale:
A Strange Case of Comparative Broadcast Policy-Making

Abstract

The case of the Federal Communications Commission's seldom-used "distress sale" policy provides an interesting exemplar of comparative broadcasting policy-making during various presidential administrations. The policy allows broadcasters who are in danger of losing their licenses to sell the stations to minority-group buyers, at up to 75 percent of market value. Enthusiastically embraced by the Carter Administration's FCC as a means to increase minority ownership in broadcasting, distress sales fell into disuse under the deregulation-minded commissions of Presidents Reagan and Bush. Those administrations sought to repeal the policy as part of a general assault upon affirmative action. Congress intervened to support the policy and the U.S. Supreme Court upheld its constitutionality. Yet the distress sale remains ineffective as a mechanism for increasing minority ownership of broadcast facilities.

The Rise and Fall of the Distress Sale:
A Strange Case of Comparative Broadcast Policy-Making

The case of the Federal Communications Commission's seldom-used "distress sale" policy provides an interesting exemplar of comparative broadcasting policy-making during various presidential administrations. The policy allows broadcasters who are in danger of losing their licenses to sell the stations to minority-group buyers, at up to 75 percent of market value. Enthusiastically embraced by the Carter Administration's FCC as a means to increase minority ownership in broadcasting, distress sales fell into disuse under the deregulation-minded commissions of Presidents Reagan and Bush. Those administrations sought to repeal the policy as part of a general assault upon affirmative action. Congress intervened to support the policy and the U.S. Supreme Court upheld its constitutionality. Yet the distress sale remains ineffective as a mechanism for increasing minority ownership of broadcast facilities. This paper will describe the rise and fall of the policy, and discuss reasons for its lack of impact.

Origins of the Policy

The distress sale policy is rooted in the civil disorders that rocked U.S. cities in the 1960s. The Kerner Commission, appointed by President Lyndon Baines Johnson to examine the disorders, asserted that media "have not communicated to a majority of their audience--which is white--a sense of the degradation, misery, and hopelessness of living in the ghetto" (1968, p. 383). In response, the FCC launched a series of regulatory actions designed to increase minority involvement in broadcasting. These included requirements for equal opportunity in employment (FCC, 1969), which were later fortified to include numerical guidelines and a "model" affirmative action program (FCC, 1972; 1976a); and a mandate that broadcasters undertake "ascertainment" to determine community needs (including those of minority groups), which must then be addressed by programming (FCC, 1976b).

As the FCC began to adopt affirmative action policies, a series of seminal court decisions pushed the commission to deal with the dearth of minority ownership of broadcast stations. In *Citizens Communication Center v. FCC* (1971), the U.S. Court of Appeals for the D.C. Circuit noted that the FCC should consider diversification of ownership in making public interest determinations. In *TV 9 Inc. v. FCC* (1973), the same court ordered the FCC to grant merit to a minority applicant in a competitive proceeding, emphasizing that "it is upon ownership that public policy places primary reliance with respect to diversification of content" (p. 938). One commentator noted that the court's action "was to foretell the Commission's regulatory menu for years to come: minority ownership" (Honig, 1984, p. 871). The D.C. Circuit Court of Appeals in 1975 again cited *TV 9* in directing the FCC to reevaluate a decision denying a black-owned station authorization to broadcast during night hours: "The entire thrust of TV 9 is that black ownership and participation together are themselves likely to bring about programming that is responsive to the needs of the black citizenry" (*Garrett v. FCC*, 1975, p. 1063; see also Hart, 1988; Meeske, 1976; Wilson, 1988).

Buoyed by this trend, a group of minority activists and broadcasters persuaded the commission in 1977 to hold a two-day conference on minority ownership (Honig, 1984). The Congressional Black Caucus in the same year petitioned the FCC to expand the practice to permit distress sales to minorities ("Black Caucus Urges," 1977). The Carter Administration included the distress sale proposal as part of its plan to increase minority participation in broadcasting ("The Carter Plan," 1978). On May 25, 1978 the FCC announced the adoption of two initiatives intended to increase the number of minority-owned broadcast stations (FCC, 1978). Both policies provided financial incentives for incumbent broadcasters to sell their stations to minority-group members. The distress sale program allowed sales at prices "somewhat greater than the value of the unlicensed equipment" to groups with minority ownership in excess of 50 percent (FCC, 1978, p. 983). In addition to the distress sale mechanism, the FCC introduced tax certificates, by which sellers could defer capital gains taxation. The new policies were endorsed by the National Association of Broadcasters as well as the National Black Media Coalition.

Use of the distress sale to increase minority ownership represented a modification of an informal commission practice (Lebowitz, 1981). Though it was official policy to refuse to permit the sale of stations by licensees who faced hearings for rule violations, beginning in the early 1960s the commission granted exceptions to licensees who suffered from physical disabilities, who agreed to retire from broadcasting, and who would make no profit from the sale of their stations (see, for example, *Martin R. Karig*, 1964;

Tinker, Inc., 1967; *Cathryn C. Murphy*, 1973). Similarly the FCC decided not to draft a formal rule regarding minority distress sales but announced its intention to grant "expeditious processing" to applicants, whose cases would be reviewed on an individual basis (FCC, 1978, p. 983).

Early Implementation of the Policy

Applications for distress sales began arriving at the commission soon after the policy was announced (see *Leflore Broadcasting Co. , Inc.*, 1978; *Plough Broadcasting Co. Inc.*, 1978; *Street Broadcasting Corp.*, 1979). However, the first distress sale actually consummated was approved on April 20, 1979 (*Northland Television, Inc.*, 1979). It involved a Wisconsin television station, WAEO in Rhinelander, facing a hearing on logging, fraudulent billing and misrepresentation issues. The licensee asserted its eligibility for a distress sale on grounds that its renewal hearing had not yet begun; the purchaser, Seaway Communications, Inc., was owned entirely by Blacks; and the sale price was about 54 percent of the station's appraised fair market value for its facilities and license (*Northland Television Inc.*, 1979, p. 52). WAEO-TV thus became the first minority-owned VHF network-affiliated station in the United States. Two more distress sales were approved by the FCC in 1979 , involving an AM/FM radio combination (*Max M. Leon, Inc.*, 1979). Twenty-two distress sales were approved in 1980, the last year of the commission under the Carter Administration (FCC, 1990). The 1980 total alone represents 58 percent of all distress sales approved at this writing.

In 1981, with the ascendance of the Reagan Administration, Mark Fowler assumed the chairmanship of the FCC. Fowler's zeal for a marketplace approach to broadcast regulation, and thus the dismantling of many existing regulatory strictures, was set forth in a seminal 1982 article (Fowler and Brenner, 1982) and has been discussed by other scholars (see Cantor and Cantor, 1985; Crandall, 1988; Ferrall, 1989; LeDuc, 1987; and Ray, 1990). A 1985 speech was illustrative, in which Fowler presented what he termed the Popcorn Principle. Fowler used the metaphor of popcorn machines that popped the corn without using oil in reference to his deregulatory philosophy: "Remove what was thought an essential ingredient--heavy government regulation--and our communications system still works. In fact, it works better" ("Deregulation: the chairman," 1985, p. 39). Nonetheless, Fowler initially expressed support for FCC measures to promote minority ownership. The commission in September 1981 created an

Advisory Committee on Alternative Financing for Minority Opportunities in Telecommunications to investigate ways to increase the amount of investment capital available to prospective minority purchasers (FCC, 1982). Fowler also voiced support for the distress sale policy during an October 1982 speech to the Black Citizens for Fair Media group ("Fowler offers suggestions," 1982).

In 1982 the policy received an auspicious revision, based upon the recommendations of the advisory committee. Noting that the 1978 policy had failed to attract sufficient investment capital to increase purchases by minority owners in significant numbers, the commission decided to make distress sales and tax certificates available to limited partnerships, provided that the general partner was a minority-group member holding at least a 20 percent equity interest and exercising "complete control over a station's affairs" (FCC, 1982, p. 855). Previously the policies had been available only to companies with at least 50 percent minority ownership. Further, the commissioners authorized the FCC's Mass Media Bureau to process the handling of distress sale petitions that did not involve novel questions of law, fact or policy. Previously the commissioners themselves (as opposed to staff members) had administered all distress sales. These revisions represented a significant liberalization of the distress sale policy. Nonetheless, the FCC approved only 11 distress sales between the 1982 revisions and the end of 1990 (FCC, 1990).

The disuse of the distress sale policy may be traced to several factors. These include the general antipathy toward affirmative action of ideological commissioners and Republican presidential administrations; court challenges; and the dearth of broadcasters facing renewal hearings, as a corollary of deregulation. These factors will be discussed below.

Ideological Antipathy to the Policy

One significant factor in the neglect of the distress sale policy was a philosophical aversion to preferential treatment of minorities. In this regard, the disuse of the policy during the administrations of Ronald Reagan and George Bush may be understood in ideological terms. FCC Commissioner Henry Rivera raised this argument in 1984 when criticizing the commission for inaction in furthering minority ownership in broadcasting: "The absence of this institutional desire is a reflection of the prevailing attitude of my colleagues who are opposed to special efforts to help minorities. Theirs is simply a philosophical aversion to corrective measures that single out minorities for special preferential treatment" ("Rivera vents frustration," 1984, p. 78). The trade magazine *Broadcasting* in 1988 noted similarly an "ideological force that has animated the commission since Mark Fowler became its chairman" and quoted a long-time FCC staff member as saying "(p)olitical appointees do have an agenda, and will pursue it" ("The uneasy relationship," 1988, p. 78).

Fowler's early support for the policy may have been based on the notion that distress sales, as do tax certificates, assist majority-group broadcasters as well as minorities, by permitting incumbent licensees facing hearings an opportunity to recoup at least a fraction of their investment. As such, both policies were supported by industry groups such as the National Association of Broadcasters. However, when the policies came under court challenges, to be discussed below, the commission abruptly suspended the application of the distress sale, tax certificate and minority and female preferences in comparative hearings, and started an inquiry into their constitutionality (FCC, 1986; 1987). Fowler placed the burden of proof upon supporters of the policies to justify their continuation:

> America is governed by a fundamental principle that all Americans are entitled to be treated equally under the law, without regard to their race or gender. We may depart from this principle if we find that the commission's goal of promoting diversity of programming and viewpoints is promoted by granting preferences....Any preference scheme must be demonstrated to be necessary to achieve this goal ("FCC releases NOI," 1986, p. 77).

As further evidence of the commission's antipathy toward distress sales, critics of the FCC cited the agency's refusal to utilize the policy in the RKO controversy. When the commissioners asked an FCC official to mediate negotiations between RKO and prospective buyers, it marked the first time since adoption of the distress sale policy that a licensee designated for a hearing had been permitted to consider a sale to other than a minority purchaser (Sterling, 1988). The executive director of the National Association of Black-Owned Broadcasters argued before a Congressional subcommittee that the commission "concocted ad hoc policies...to allow sale of those stations to non-minorities" (Winston, 1989, p. 33).

Members of Congress who supported the minority- and gender-based preference policies were angered by the FCC's failure to appeal a U.S. Court of Appeals decision in the *Steele* case, overturning the commission's policy of extending preferential treatment to female applicants for broadcast licenses in comparative hearings (*Steele v. FCC*, 1985). Instead the commission launched the inquiry described above, acting with what *Broadcasting* described as "a kind of recklessness" in light of Congressional support ("The uneasy relationship," 1988, p. 78). Congress responded by using its appropriations power to preserve the policies. Congress inserted into the FCC's appropriations bill language prohibiting the commission from spending any funds to examine or repeal its minority ownership policies (U.S. Congress, 1988). Similar prohibitions were included in the FCC's 1989 and 1990 appropriations. Accordingly, the FCC closed the inquiry (FCC, 1988).

Court Challenges

The ideological antipathy was given impetus by a series of important legal challenges, to be described in this section. In *Steele*, the appellate court ruled that the FCC lacked authority to grant enhancement credit to women applicants in comparative license hearings. Though the court clearly stated that "the Commission's authority to adopt minority preferences...is clear" (*Steele v. FCC*, 1985, p. 283), the FCC nonetheless expressed concern over the validity of its minority ownership policies and entered into the aforementioned inquiry.

The pivotal case concerning distress sales was brought by a Connecticut broadcaster, Alan Shurberg, who had applied to the FCC for a construction permit to build a television station in Hartford. Shurberg's application was mutually exclusive with the renewal application of Faith Center, Inc., the license for which had been designated for hearing in 1980 for allegations of fraud in over-the-air fund solicitations and for failure to cooperate with an FCC investigation (*Faith Center, Inc.*, 1980). Faith Center had subsequently attempted, unsuccessfully, to consummate two distress sales. When Faith Center sought FCC approval in June 1984 for a third distress sale, Shurberg challenged the sale on several grounds, arguing that the distress sale program violated his constitutional right to equal protection. Shurberg asked the commission to deny the distress sale request and schedule instead a comparative hearing between his construction permit application and Faith Center's renewal application. However, the commission approved the distress sale -- to Astroline Communications Company, Limited Partnership, a minority applicant (hereafter Astroline) -- and rejected Shurberg's equal protection claim as "without merit" (*Faith Center, Inc.*, 1984, p. 1171). Shurberg appealed the FCC ruling to the U.S. Court of Appeals.

A divided Court of Appeals ruled for Shurberg, invalidating the distress sale policy (*Shurberg Broadcasting of Hartford, Inc. v. FCC*, 1989). The *per curiam* opinion held that Shurberg was deprived of his equal protection rights because the distress sale program "is not narrowly tailored to remedy past discrimination or to promote programming diversity" (p. 902) and that it imposed an unconstitutional burden upon Shurberg by denying him an opportunity to operate a television station "solely because of his race" (p. 917). The court remanded the case to the FCC and Astroline appealed the ruling to the U.S. Supreme Court. The Bush administration filed briefs urging the Supreme Court not to hear the case, but the high court granted certiorari, combining the Shurberg case with another involving a challenge to the policy of awarding minority owners preferential treatment in comparative hearings (Greenhouse, 1990a; *Metro Broadcasting, Inc.v. FCC*, 1989).

The U.S. Supreme Court upheld the distress sale and minority preference policies in a 5-4 decision issued June 1990 (*Astroline Communications Company Limited Partnership v. Shurberg Broadcasting of Hartford, Inc.*, 1990). The majority based the ruling on "the imprimatur of longstanding congressional support" for policies promoting minority ownership in broadcasting (p. 5053). Further, the five justices found the policies served an important governmental objective by promoting broadcast diversity and the wide dissemination of information from diverse sources, in keeping with the axiom of *Associated Press v. United States* (1945). Finally, the court rejected Shurberg's contention that his equal protection rights had been violated by the distress sale policy, because it applies to only a small fraction of broadcast licenses and does not foreclose nonminorities from competing for other available licenses (p. 5054).

The *Astroline* ruling attracted considerable media attention for its implications beyond the arcane realm of broadcast regulation. It was viewed as a rebuff to the Bush administration, which had urged the court to strike down the policies, and as a re-affirmation of Congress' power to enact affirmative action programs at the federal level (Greenhouse, 1990b). Such policies at the state and local levels had been limited by a 1989 Supreme Court ruling invalidating a municipal program that set aside public works contracts for minorities (*Richmond v. J.A. Croson, Co.*, 1989). In addition, *Astroline* was seen as the first instance in which the court endorsed an affirmative action program aimed not at rectifying past or current discrimination, but directed toward future objectives (Greenhouse, 1990b). Curiously, though the distress sale program had been neglected at best prior to the court challenges, FCC Chairman Alfred Sikes welcomed the *Astroline* ruling: "I am pleased that the cloud of doubt that has surrounded the commission's implementation of these policies has been dispelled" ("High court upholds," 1990, p. 26).

Dearth of Renewal Hearings

A corollary of the general trend of broadcast deregulation comprises another factor for the disuse of the distress sale policy. The policy depends upon a supply of stations that are designated for license renewal hearings; those stations may then elect to enter into distress sales. However, Honig (1984) noted the FCC's dismantling of many "command and control" regulatory initiatives between 1976 and 1984. McGregor (1990) discussed the commission's elimination during the 1980s of "regulatory underbrush": "seemingly minor or relatively unimportant rules and policy statements that had accumulated over 50 years of regulation" (p. 153). With fewer rules extant, it follows that fewer broadcasters will be charged with violations leading to renewal hearings. As McGregor argued, "Licensees certainly are much freer to engage in once-prohibited activities" (1990, p. 168). With few licenses in distress, there can be few distress sales. At this writing, there were only three stations designated for hearing that fit the guidelines for distress sale eligibility; two of those cases involved legal questions concerning their eligibility status and the third licensee expressed no interest in pursuing a distress sale (Chuck Dziedzic, chief of FCC Hearings Branch, personal communication, March 27, 1991).

Conclusions

Though the distress sale policy has been endorsed vigorously by Congress and upheld by the Supreme Court, it remains abandoned by the FCC. The case of a Georgia television station licensee typifies the status of the policy. Imprisoned on drug-money laundering charges and facing revocation proceedings, the licensee requested permission to sell his station under the distress sale policy. During the actual FCC meeting at which the request was to be considered, the chief of the Mass Media Bureau withdrew the issue from the agenda. According to *Broadcasting*, the commissioners wanted to strengthen their case for denying a distress sale and did not wish to "run afoul of (the) congressional mandate against tampering with distress policy" ("Theatrics," 1991, p. 10).

The FCC's failure to implement the distress sale policy during the 1980s, in the face of clear Congressional and legal endorsement, illustrates in general the political nature of a supposedly "independent" regulatory commission and the ideological influence of its political appointees. In particular, this case study underscores the ideological antipathy of the Reagan and Bush administrations toward affirmative action. Fife (1987) argues that federal policies concerning racial diversity in broadcasting have made little difference in the nature of U.S. broadcasting. However, she suggests such policies "have at least served as symbolic reforms, which in a politically pluralistic society like the United States, has legitimizing purposes" (1987, p. 498). Viewed in this light, the case of the distress sale represents more than the study of a technicality of broadcast regulation. The neglect of the distress sale by the FCC during the Reagan and Bush administrations denotes an policy decision as affirmative as was its development and early implementation in the Carter years.

References

Associated Press v. United States. (1945). 326 U.S. 1.

Astroline Communications Company Limited Partnership v. Shurberg Broadcasting of Hartford, Inc. (1990). 58 LW 5053.

Black caucus urges escape-hatch sales for the challenged. (1977, January 10). *Broadcasting,* 30.

Cantor, M., and Cantor, J. (1985). United States: A system of minimal regulation. In Kuhn, R. (ed). *The politics of broadcasting.* London: Croom Helm, 158-196.

Cathryn C. Murphy. (1973). 42 FCC 2d 346.

Citizens Communication Center v. FCC. (1971). 463 F.2d 822.

Crandall, R.W. (1988). Telecommunications policy in the Reagan era. *Regulation* 12, 28-33.

Deregulation: the chairman gets a second wind. (1985, September 30). *Broadcasting,* 39-40.

Faith Center, Inc. (1980). 82 FCC 2d 1.

Faith Center, Inc. (1984). 99 FCC 2d 1164.

FCC. (1969). *Nondiscrimination in the employment practices of broadcast licensees.* 18 FCC 2d 240.

FCC. (1972). *Nondiscrimination in the employment practices of broadcast licensees.* 36 FCC 2d 515.

FCC. (1976a). *Nondiscrimination in the employment practices of broadcast licensees.* 60 FCC 2d 226.

FCC. (1976b). *Ascertainment of community problems by broadcast applicants.* 57 FCC 2d 418.

FCC. (1978). *Statement of policy on minority ownership of broadcasting facilities.* 68 FCC 2d 979.

FCC. (1982). *Commission policy regarding the advancement of minority ownership in broadcasting.* 92 FCC 2d 849.

FCC. (1986). *Reexamination of the Commission's comparative licensing, distress sales and tax certificate policies premised on racial, ethnic or gender classifications.* 1 FCC Rcd 1315.

FCC. (1987). *Reexamination of the Commission's comparative licensing, distress sales and tax certificate policies premised on racial, ethnic or gender classifications.* 2 FCC Rcd 2377.

FCC. (1988). *Reexamination of racial, ethnic or gender classifications order*. 3 FCC Rcd 766.

FCC. (1990, December 31). *Stations that have elected to seek distress sale relief, distress sales approved, tax certificates issued*. Washington, DC: FCC Consumer Assistance and Small Business Division (mimeograph).

FCC releases NOI on minority preferences. (1986, December 22). *Broadcasting*, 77.

Ferrall, V.E. (1989). The impact of television deregulation on private and public interests. *Journal of Communication* 39, 8-38.

Fife, M. (1987). Promoting racial diversity in U.S. broadcasting: Federal policies versus social realities. *Media, Culture and Society* 9, 481-504.

Fowler, M.S., and Brenner, D.L. (1982). A marketplace approach to broadcast regulation. *Texas Law Review* 60, 207-257.

Fowler offers suggestions to boost minority ownership. (1982, November 1). *Broadcasting*, 25-26.

Garrett v. FCC. (1975). 513 F2d 1056.

Greenhouse, L. (1990a, January 9). Reviving affirmative-action issue, court will decide on FCC rules. *New York Times*, 1, 10.

Greenhouse, L. (1990b, June 28). Justices bolster race preferences at federal level. *New York Times*, A1, B8.

Hart, T.A. (1988). The case for minority broadcast ownership. *Gannett Center Journal* 2, 54-61.

High Court upholds minority preference policies. (1990, July 2). *Broadcasting*, 25-26.

Honig, D. (1984). The FCC and its fluctuating commitment to minority ownership of broadcast facilities. *Howard Law Journal* 27, 859-877.

Kerner Commission. (1968). *Report of the National Advisory Commission on Civil Disorders*. New York: Bantam.

Lebowitz, P.H. (1981). FCC minority distress sale policy: Public interest v. the public's interest. *Wisconsin Law Review* 1981, 365-397.

LeDuc, D.R. (1987). *Beyond broadcasting*. New York: Longman.

Leflore Broadcasting Co., Inc. (1978). 43 RR 2d 807.

Martin R. Karig. (1964). 3 RR 2d 670.

Max M. Leon, Inc. (1979). 46 RR 2d 62.

McGregor, M.A. (1990). Connections among deleted underbrush policies, FCC character standards, and state criminal law. *Journal of Broadcasting & Electronic Media* 34, 153-170.

Meeske, M. (1976). Black ownership of broadcast stations: An FCC licensing problem. *Journal of Broadcasting* 20, 261-271.

Metro Broadcasting, Inc., v. FCC. (1989). 873 F2d 347.

Northland Television, Inc. (1979). 72 FCC 2d 51.

Plough Broadcasting Co., Inc. (1978). 44 RR 2d 1465.

Ray, W.B. (1990). *FCC: The ups and downs of radio-TV regulation.* Ames, IA: Iowa State University Press.

Richmond v. J.A. Croson Co. (1989). 489 U.S. 469.

Rivera vents frustration over minority plight. (1984, October 1). *Broadcasting,* 78.

Shurberg Broadcasting of Hartford, Inc., v. FCC. (1989). 876 F2d 902.

Steele v. FCC. (1985). 770 F2d 1192.

Sterling, C.H. (1988). Billions in licenses, millions in fees: Comparative renewal and the RKO mess. *Gannett Center Journal* 2, 43-53.

Street Broadcasting Corp. (1979). 44 RR 2d 1630.

The Carter plan to get minorities into ownership of broadcast, cable. (1978, Feburary 6). *Broadcasting,* 47.

The uneasy relationship between the FCC and the courts. (1988, March 7). *Broadcasting,* 78.

Theatrics. (1991, January 21). *Broadcasting,* 10.

Tinker, Inc. (1967). 8 FCC 2d 22.

TV 9 Inc. v. FCC. (1973). 495 F.2d 929.

U.S. Congress. (1988). Continuing appropriations act for Fiscal Year 1988. Public Law 100-202, 101 Stat. 1329.

Wilson, L.C. (1988). Minority and gender enhancements: A necessary and valid means to achieve diversity in the broadcast marketplace. *Federal Communications Bar Journal* 40, 89-114.

Winston, J.L. (1989, September 15). Testimony at hearing on minority ownership of broadcast stations before the Subcommittee on Communications of the Committee on Commerce, Science, and Transportation, United States Senate. Washington, DC: Government Printing Office (S. Hrg. 101-339).

Newspaper Division

JOURNALISTS' ASSESSMENT OF GROUP OWNERSHIP AND THEIR NEWSPAPERS' LOCAL NEWS AND EDITORIAL PERFORMANCE

By

David C. Coulson
Associate Professor
School of Journalism
University of Nevada, Reno
Reno, NV 89557-0040

(702) 784-6898

Presented at the 74th Annual AEJMC Convention,
Boston, August 7-10, 1991

ABSTRACT

JOURNALISTS' ASSESSMENT OF GROUP OWNERSHIP AND THEIR NEWSPAPERS' LOCAL NEWS AND EDITORIAL PERFORMANCE

This is the first national study to ask reporters and editors their opinions about the influence of group ownership on newspaper performance and about the quality of their papers' local news coverage and editorial comment. The main purpose was to determine whether group-owned or independent newspapers were perceived as producing better quality journalism.

Another objective was to learn whether the attitudes of group and independent journalists differed on issues related to the study. It was predicted that significant differences would emerge between the type of ownership that journalists worked for and their responses to questions about group influence on newspaper performance. There was also the expectation that job status would measurably affect the opinions of the study's 763 journalists representing 161 newspapers.

Both group and independent journalists were generally pleased with their newspapers' local news coverage but considerably less satisfied with their papers' editorials. Not surprisingly, journalists at independents were more skeptical about group ownership and somewhat more inclined to concur with statements critical of group influence.

Almost no differences were evident between reporters and editors on questions about group ownership. But differences did emerge when they were asked about the editorial quality of their newspapers. Editors were more inclined to approve of their papers' local coverage and editorials and were less critical of bottom line pressures on journalistic performance.

Despite some differences, the level of general agreement among journalists in this study might be explained in part by the fact that they had similar educational backgrounds and shared much of the same media socialization. Further, it would appear that group newspapers are not much different than independents in their local news and editorial performance.

JOURNALISTS' ASSESSMENT OF GROUP OWNERSHIP AND THEIR NEWSPAPERS' LOCAL NEWS AND EDITORIAL PERFORMANCE

Today 14 dominant companies have half of the daily newspaper business in the United States.[1] This unprecedented concentration of ownership exists largely because of the relentless acquisition of independent dailies by newspaper groups. By 1990, only 24% of the nation's dailies were independently owned.[2]

The gathering of newspapers into fewer and fewer hands is a controversial issue that sparks considerable study and debate. Concern often is expressed about adverse effects of group ownership on newspaper content. But press analyst Bruce Thorp contends that people forget how terrible some independent papers were before their purchase by groups.[3]

This is the first national study to ask reporters and editors their opinions about the influence of group ownership on newspaper performance and about the quality of their papers' local news coverage and editorial comment. The main purpose was to determine whether group-owned or independent newspapers were perceived as producing better quality journalism. Quality assessment questions were based on conventional journalistic standards of substantive and autonomous news reporting and commentary.

Another objective was to learn whether the attitudes of group and independent journalists differed on issues related to the study. It was predicted that significant differences would emerge between the type of ownership that journalists worked for and their responses to questions about group influence on newspaper performance. For instance, journalists at independents were presumed to be more critical of groups and to perceive greater journalistic strengths of local ownership.

There was also the expectation that job status would measurably affect the opinions of journalists. A clear distinction is drawn between reporters and editors in the newsroom hierarchy. Reporters gather news and editors establish policies that determine the criteria for news decisions. Although editors usually have news reporting backgrounds, they function more often as managers than as journalists. It will be shown to what degree that factors related to job classification differentiate editors' attitudes toward group ownership and their papers from those of reporters.

Local news and editorial comment, which make up the staples of American newspapers, were the major variables used to assess journalists' views of the performance of group-owned and independent papers. Readers now tend to depend on newspapers more for local news than national or foreign coverage.[4] Good local coverage demands adequate staff, which translates into bigger news budgets. One of the easiest and most obvious ways a publisher has to ream costs out of the newspaper is to cut back on the amount of local reporting -- editorial employee salaries represent the single largest expenditure in the newsroom budget.

Economic considerations that fostered the growth of newspaper groups have spurred the trend toward less robust editorials which conflict less with readers' views, thereby making newspapers attractive to more people and increasing profit potential. Bottom line concerns also promote poorly crafted commentary as increasingly only the country's larger papers are willing to appropriate money to hire editorial writers. Too often, harried editors and reporters are called upon to hurriedly compose editorials.

It comes down to what owners consider important -- large profits or newspapers that care about serving their communities by providing quality journalism. The question is whether either group or independent ownership is viewed as having a greater journalistic commitment to the concept of a strong local newspaper. Do group papers pursue different ownership objectives than independents which inevitably are reflected in their local news coverage and editorial comment?

Literature Review

There is no shortage of literature on newspaper group ownership, but the findings are inconclusive. Some of the anecdotal evidence suggests that group ownership diminishes diversity of news and editorial opinion and emphasizes profits at the expense of quality.[5] However, other descriptive accounts indicate that groups have both positive and negative effects on newspaper quality.[6] Systematic studies also yield conflicting results about the influence of group ownership.

A 1990 American Society of Newspaper Editors ownership survey concluded that the growth of newspaper groups has had little impact on news content or editorial independence.[7] But the study detected some perceived distinctions between group-owned and independent dailies. Although editors indicated that their papers were improving, group editors expressed greater dissatisfaction with their newsroom budgets and other resources.

Editors saw groups as more concerned with profits than with individual newspapers or their communities. At the same time, group papers were said to have better career opportunities, more sharing of ideas and greater access to outside experts. They also were seen as getting less pressure from advertisers and special-interest groups. By comparison, independent newspapers were considered to have a better understanding of their local markets and to be more involved in their communities. Further, they were perceived as having more flexibility in making decisions and as having less turnover of key people.

A couple of other recent studies also uphold journalistic conventional wisdom that group executives are more likely to emphasize profit as a top corporate goal than their counterparts at locally owned papers.[8] At the same time research suggests that editors of independent papers are more prone to profit concerns than are group editors.[9]

A 1990 study found few predictable differences in quality between group-owned and independent newspapers. The authors determined that quality largely depends on ownership policy and the financial resources afforded to a paper.[10] Research on New England dailies found a positive correlation between large group ownership and quality of press performance.[11]

Several studies found few differences in newshole size or allocation according to ownership.[12] However, other research suggested that as the number of newspapers in a group increased, the number of lines of news content decreased.[13] An earlier analysis showed group acquisition of newspapers provided readers with "no particular benefits" in amount of local news coverage.[14] A study of Minnesota newspapers indicated that group papers with headquarters outside of the state carried significantly less coverage of local controversy than did group or independent papers with headquarters inside the state.[15]

Inconsistent with ASNE survey results showing little group influence on editorial independence, a research team recently posited that Knight-Ridder newspapers engaged in an organizational arrangement that infringed on their editors' news judgments.[16] A case study of a Gannett owned newspaper a decade earlier also found subtle corporate influences on local autonomy.[17]

A national study concluded that the presidential endorsements of group newspapers were highly homogeneous, challenging groups' claims that member papers are editorially independent.[18] In a recent replication of the study, it was found that groups continue to be homogeneous in their presidential endorsements, but to a lesser degree.[19]

Other research suggests that the similarity in positions taken by group-owned and independent newspapers demonstrates that ownership plays little role in determining the day-to-day content of the editorial page.[20] A West Coast study found that group papers editorialized less about local issues than independents.[21] But its conclusion that group papers published "less vigorous" editorials was not supported by more recent analysis.[22]

In short, much of the literature on newspaper ownership has attempted to determine whether group-owned and independent dailies differ in terms of performance and content. The conflicting findings about the impact of group ownership partly arise from differences in the methodologies and definitions used. Contributing further to the ambiguity in some instances is small sample size which does not sufficiently take into account the different policies and philosophies of newspaper groups and individual papers. An important strength of the present study is that it is based on a large representative sample of journalists from a broad cross-section of newspapers.

Methods

A national mailing was made during February 1989 to managing editors of 600 daily newspapers systematically selected from the 1988 Editor & Publisher Yearbook. Editors were asked to provide complete lists of their full-time newsroom personnel involved in preparation of news and commentary. The names and job titles of 7,240 journalists from 175 newspapers were received from two requests.

The survey's seven-page questionnaire was designed so that journalists from both group-owned and independent newspapers could answer an identically worded form. Journalists at independently owned papers were asked to ignore two questions not relevant to them. Copies of the questionnaire were coded according to type of ownership and circulation size and to allow identification of non-respondents.

In late July 1989, questionnaires[23] were sent to 1,747 journalists in proportion to their papers' staff size. The initial mailling and a follow-up letter yielded responses from 763 journalists at 161 newspapers, for a completion rate of 44%. Seventy percent of the respondents held non-managerial positions in the newsroom, such as reporter or copy editor. For simplicity in reporting results, the inclusive job categories of reporter and editor were used. Respondents did not include sports or special section writers or editors, photographers or artists.

A large majority of the journalists were from medium-sized and large newspapers. Forty-seven percent worked for newspapers of more than 100,000 circulation, 37% for papers of 40,000 to 100,000 circulation and 16% for papers of less than 40,000 circulation. The study contained a representative regional cross-section of newspapers: 31% were from the Midwest, 27% from the South, 25% from the West and 17% from the Northeast.

Sixty-three percent of the newspapers were group owned and employed 70% of the journalists. Eighty percent of large papers were group owned compared with two-thirds of mid-size papers and 46% of small papers. Due to the relatively small number of remaining independently owned newspapers, a stratified sample was conducted to increase their representation in proportion to the actual population. The intent was to ensure that an adequate number of responses were received from independents to permit meaningful comparisons for analysis. As a result of this procedure, the percentage of group-owned newspapers in the study is somewhat lower than the national figure.

Findings

Journalists were likely to be male (66%), more than 30 years old (79%) and to earn between $25,000 and $50,000 (63%). A majority had worked on newspapers for more than 10 years. Half had been at their present paper for more than five years.

They were well educated; nearly all were college graduates. About a fifth held an advanced degree, and 16% had completed some graduate work. Six in 10 of those who graduated from college and four in 10 who pursued graduate work studied journalism or communication.

Most described their political philosophy as moderate (44%) or liberal (42%). Only 9% identified themselves as conservative.

Group ownership

A large plurality of journalists maintained that group ownership inhibits diversity of news and editorial opinion. Independent journalists were more likely than their group colleagues to see such a constraint (Table 1).

The premise that group ownership improves the quality of a paper's local news coverage was dismissed by a majority of journalists and adhered to by only a few. Nearly half of those working at group-owned papers rejected the quality argument. Older journalists were most likely to disagree with it.

A majority agreed that independently owned papers are more likely to put a significant portion of their profit back into the news product and the community. About half of the respondents at group papers agreed.

Journalists were equally divided about whether the newsrooms of group-owned papers are freer from local economic pressures than are those of independents. The greater likelihood that group papers would cover controversial issues in the community was seen by only a quarter of the respondents.

Sixty percent of group respondents disagreed that group ownership limits autonomy of editorial decision making at their newspapers. Reporters were more likely than editors ($p < .001$) to be among about a quarter who said group ownership sometimes limits such autonomy, and the 14% who held that autonomy was limited. Among journalists who perceived restrictions, about 60% indicated that they applied to choices about stories and commentary; 16%

cited political endorsements. Other responses stressed absentee interference in financial (25%) and personnel (9%) matters.

About four in 10 of the respondents would prefer to work for an independently owned newspaper; less than two in 10 would choose a group paper. Journalists who preferred independents tended to emphasize employee/community allegiance and journalistic concerns compared with career considerations and financial incentives suggested by those who preferred groups (Table 2).

Respondents' newspapers

Three-quarters of the journalists said their newspapers provide readers with an appropriate amount of local news coverage. Respondents working on independently owned papers were twice as likely to strongly agree as those on group papers (28% compared with 14%) ($p < .01$).

About half of the journalists indicated that the amount of local news coverage at their papers had increased over the past several years, about 30% said it had remained about the same and a little more than 20% maintained it had decreased. More journalists at group-owned papers (23%) than at independents (14%) claimed that coverage had decreased ($p < .01$).

About three out of four journalists contended that their newspapers provide substantive coverage of events and issues in the community reported from a wide variety of viewpoints. A similar number indicated that their papers cover news that might offend advertisers and other local business interests. Nearly 70% said their publications avoid overemphasis on entertainment and fluff.

According to 47% of the respondents, profit seeking did not adversely affect coverage and diversity of information at their newspapers. This opinion was strongly held by 18% of those at independents and 11% at group-owned papers ($p < .01$). However, about four in 10 did perceive an adverse effect.

About 40% of the respondents maintained that their papers' financial commitment to the news side had increased over the past several years; others were roughly evenly split over whether it had remained about the same or had decreased.

Their papers' overall commitment to quality local news coverage was rated as excellent by about 30% of the journalists and good by close to half. Twenty percent said the commitment was fair; only 4% rated it as poor. A higher percentage of journalists working at independently owned papers saw the commitment as excellent.

Fifty-seven percent said editorials at their papers candidly addressed controversial issues in the community. The editorials were vigorous and argumentative according to 46% of the journalists; about a third disagreed.

Although reporters and editors generally appeared pleased with the performance of their newspapers, they differed significantly in most of their responses (Table 3). Their views were shaped largely by years of experience in the business, age and salary.

Typically, editors are older, better paid veterans who are less likely than reporters to be critical of their newspapers.

This study was no exception. Editors were more inclined to agree that their papers provided substantive and diverse community coverage and reported stories that may offend advertisers. Further, they more often contended that the editorial pages of their papers contained vigorous discussion of controversial community issues. Reporters, on the other hand, were less likely to give an excellent rating to their newspapers' commitment to quality local coverage and more inclined to see adverse effects of profit seeking on content. A decreased financial commitment to the editorial side and cutbacks in the amount of local coverage were also more often perceived by them.

Discussion and Conclusions

As predicted, group and independent journalists differed significantly in some of their opinions about the influence of group ownership on newspaper performance. Not surprisingly, journalists at independents were more skeptical about group ownership and more likely to concur with statements critical of groups.

But it is interesting that many of their group colleagues did not express a more positive view of such ownership. Only a few maintained that group ownership improves the quality of local news coverage. At the same time about half conceded that group papers are less willing than independents to put a significant portion of their profit back into the news product and the community. Similarly in the ASNE study, about six in 10 group editors said groups' concerns about profits outweighed their interest in what happens to individual newspapers or the communities they serve.[24]

Quality and community service need to be recognized by more group executives as fair trades for reasonable profits. Overemphasis on earnings at the expense of other social responsibilities increases public criticism of group ownership. Editorial quality suffers and the information value of the newspaper to the community is seriously jeopardized. Ironically, survival of newspapers ultimately depends on the credibility of their contribution to the public.

More than four in 10 group journalists agreed that group ownership restricts diversity of news and editorial opinion. Although groups may limit such diversity, it is important to recognize that market economics, journalists' orientations and bureaucratic news practices are also powerful factors that should be considered. But no matter the cause, homogeneity of news and editorial opinion amounts to informational bias. It not only may limit people's choices and ability to make decisions as informed participants in the democratic process but may actually lead to the imposition of the prevailing views presented by the press. Research on conformity and spiral of silence effects indicates that majority dominance occurs under consensus conditions.

A large majority of group journalists disagreed that group ownership limits their newspapers' local editorial autonomy, which contradicts the findings of several previous studies.[25] The evidence presented here cannot speak to groups' commitment to local autonomy, but they have become conspicuous advocates of an independent press. Gannett, for example, has taken out newspaper and magazine advertisements stressing the editorial independence of its papers.

Although most groups avoid dictating news play or editorial positions, the financial expectations of a centralized administration can indirectly affect what is printed. A group newspaper may be forced to sacrifice coverage and editorial diversity for operational profits.[26] However, group journalists were no more likely than their independent colleagues to contend that profit seeking adversely affected coverage and diversity of information at their papers.

Both group and independent journalists generally held positive views about their newspapers' local news coverage. But independent journalists more often rated their papers' commitment to quality local coverage as excellent. They were also more likely to strongly agree that their newspapers provide an appropriate amount of local coverage and less likely to contend that such coverage had decreased at their papers in recent years. These findings appear to support previous analysis that found no reader benefit in the amount of local news provided by groups.[27]

There were no significant differences in commitment to the editorial page by type of ownership. But what is disturbing is that less than half of the journalists said their newspapers' editorials were vigorous and argumentative, and less than six in 10 maintained that they addressed controversial issues in the community. When newspapers fail to write spirited editorials about local controversies, they go unwritten. In such instances not only do papers neglect an important public service obligation but probably also deprive their communities of a local perspective. It is well known that most local broadcasters virtually ignore the editorial function for economic and regulatory reasons.

A large plurality of journalists said they would prefer to work for independent newspapers. This is particularly noteworthy when you consider that seven out of 10 respondents in this study worked for groups. Journalists who preferred independents most often emphasized company and community loyalty whereas preference for group papers usually centered around career advantages. These responses support ASNE findings that showed group editors somewhat more confident about their prospects for advancement within their parent company and the greater tendency of independent editors to want to continue working for the same paper.[28]

Almost no statistically significant differences were evident between reporters and editors on questions about group ownership. But measurable differences did emerge when they were asked about the editorial quality of their newspapers. Editors were more inclined to approve of their papers' local coverage and editorial comment and were less critical of bottom line pressures on journalistic performance. Reporters, on the other hand, are closer to day-to-day coverage and may be in a better position to recognize weaknesses. However, the strengths and weaknesses of local news coverage are better understood by examining the organizational constraints within which all journalists must function rather than by comparing the perspectives of reporters and editors.

The level of general agreement among journalists in this study might be explained in part by the fact that they had similar educational backgrounds and therefore shared much of the same media socialization. However, editors normally had more newspaper experience giving them more opportunity for professional socialization. A longitudinal study could sort out the effects of age, salary, professional experience and other factors that contribute to the socialization influence on journalists' attitudes toward group ownership and newspaper performance.

Another plausible explanation for the degree of similarity in responses is that group newspapers are not much different than independents.[29] The overall impression given by journalists in this study is that neither type of newspaper provides better quality local news and editorials than the other. Therefore, it can be inferred that whatever economic advantages groups enjoy do not appear to be used to improve the performance of their papers. But only future research can foretell the effects of continued group expansion on the quality of newspapers in the United States.

NOTES

1. Ben H. Bagdikian, The Media Monopoly. 3rd. ed. Boston: Beacon Press, 1990.

2. "1990 Ownership Survey," American Society of Newspaper Editors, April 1990, p. 1.

3. Mary A. Anderson, "Ranks of Independent Newspapers Continue to Fade," presstime 9:23 (August 1987).

4. Leo Bogart, "How U.S. Newspaper Content is Changing," Journal of Communication 35:82-90 (Spring 1985).

5. See Bagdikian, op. cit.

6. Loren Ghiglione, The Buying and Selling of America's Newspapers. Indianapolis: R.J. Berg and Co., 1984.

7. "1990 Ownership Survey," op. cit. The study's findings amplify research conducted a decade earlier. See also "News and Editorial Independence: A Survey of Group and Independent Editors," American Society of Newspaper Editors, April 1980.

8. John C. Busterna, "How Managerial Ownership Affects Profit Maximization in Newspaper Firms," Journalism Quarterly 66:302-307, 358 (Summer 1989); David Pearce Demers and Daniel B. Wackman, "Effect of Chain Ownership on Newspaper Management Goals," Newspaper Research Journal 9:59-68 (Winter 1988).

9. C.N. Olien, P.J. Tichenor and G.A. Donohue, "Relation Between Corporate Ownership and Editor Attitudes About Business," Journalism Quarterly 65:259-266 (Summer 1988).

10. Stephen Lacy and Frederick Fico, "Newspaper Quality & Ownership: Rating the Groups," Newspaper Research Journal 11:42-56 (Spring 1990).

11. Lee B. Becker, Randy Beam and John Russial, "Correlates of Daily Newspaper Performance in New England," Journalism Quarterly 55:100-108 (Spring 1978).

12. Dan Drew and G. Cleveland Wilhoit, "Newshole Allocation Policies of American Daily Newspapers," Journalism Quarterly 53:434-440 (Autumn 1976); Ronald G. Hicks and James S. Featherston, "Duplication of Newspaper Content in Contrasting Ownership Situations," Journalism Quarterly 55:549-553 (Autumn 1978); Stephen Lacy, "The Effects of Group Ownership on Daily Newspaper Content," Paper presented to the Midwest Association for Public Opinion Research, Chicago, Nov. 20-22, 1986.

13. Barry R. Litman and Janet Bridges, "An Economic Analysis of Daily Newspaper Performance," Newspaper Research Journal 7:9-26 (Spring 1986).

14. Gerald L. Grotta, "Consolidation of Newspapers: What Happens to the Consumer?" Journalism Quarterly 48:245-252 (Summer 1971).

15. George A. Donohue, Clarice N. Olien and Phillip J. Tichenor, "Reporting Conflict by Pluralism, Newspaper Type and Ownership," Journalism Quarterly 62:489-499, 507 (Autumn 1985).

16. Theodore L. Glasser, David S. Allen and S. Elizabeth Blanks, "The Influence of Chain Ownership on News Play: A Case Study," Journalism Quarterly 66:607-614 (Autumn 1989).

17. John Soloski, "Economics and Management: The Real Influence of Newspaper Groups," Newspaper Research Journal 1:19-28 (November 1979).

18. Daniel Wackman, Donald Gillmor, Cecilie Gaziano and Everette Dennis, "Chain Newspaper Autonomy as Reflected in Presidential Campaign Endorsements," Journalism Quarterly 52:411-422 (Autumn 1975).

19. Cecilie Gaziano, "Chain Newspaper Homogeneity and Presidential Endorsements, 1972-1988," Journalism Quarterly 66:836-845 (Winter 1989).

20. Byron S. Dizier, "Editorial Page Editors and Endorsements: Chain-Owned vs. Independent Newspapers," Newspaper Research Journal 8:63-68 (Fall 1986).

21. Ralph R. Thrift Jr., "How Chain Ownership Affects Editorial Vigor of Newspapers," Journalism Quarterly 54:327-331 (Summer 1977).

22. Kenneth Rystrom, "The Effect of Ownership on Newspaper Endorsements," Paper presented to the Association for Education in Journalism and Mass Communication, Norman, Okla., August 1986.

23. Three open-ended questions were coded: the co-efficient of inter-rater reliability was .93. See Ole R. Holsti, Content Analysis for the Social Sciences and Humanities. Reading, MA: Addison-Wesley, 1969, pp. 137-140.

24. "1990 Ownership Survey," op. cit., p. 5. See also Busterna, op. cit.; Demers and Wackman, op. cit.

25. Wackman, Gillmor, Gaziano and Dennis, op. cit.; Gaziano, op. cit.; Soloski, op. cit.; Glasser, Allen and Blanks, op. cit.

26. See Soloski, Ibid.

27. Grotta, op. cit.

28. "1990 Ownership Survey," op. cit., p. 7.

29. See Lacy and Fico, op. cit.

Table 1
Differences in Journalists' Attitudes Toward Newspaper Ownership*

	Independent Journalists (N=236)	Group Journalists (N=533)	Total (N=769)
Group ownership inhibits diversity of news and editorial opinion.			
Agree	53%	43%**	46%
Feel Neutral	12	16	15
Disagree	26	36	33
Group ownership improves the quality of local news coverage.			
Agree	6	13**	11
Feel Neutral	24	31	29
Disagree	60	48	52
Independently owned papers are more likely than group-owned news operations to put a significant portion of their profit back into the product and the community.			
Agree	61	49**	53
Feel Neutral	14	17	16
Disagree	17	22	20

*Frequencies do not add up to 100% because "not sure" responses are not shown in table.

**p=.01 (Chi-square)

Table 2
Journalists' Newspaper Ownership Preference

Criteria	Preference	
	Group Newspaper (N=139)	Independent Newspaper (N=309)
Promotion/job security	47%	2%
Salary/benefits	42	5
Financial/human resources	37	1
Editorial autonomy	13	32
Editorial quality	12	27
Employee/community allegiance	5	52
Management skill	5	17

Table 3
Perceptions of Content by Job Title

	Reporter (N=500)	Editor (N=213)	Total (N=713)
The newspaper reports a wide variety of viewpoints in its local news stories.			
Agree	68%	80%*	72%
Feel Neutral	10	9	10
Disagree	22	11	18
The newspaper can be relied on to provide substantive coverage of events and issues in the community.			
Agree	73	88**	77
Feel Neutral	10	2	8
Disagree	17	10	15
The newspaper covers stories that may offend advertisers and other business interests in the community.			
Agree	68	87**	75
Feel Neutral	11	5	9
Disagree	20	8	16
Profit seeking at the newspaper adversely affects coverage and diversity of information.			
Agree	43	33*	39
Feel Neutral	13	14	14
Disagree	44	53	47
The newspaper's local coverage consists of too much entertainment and fluff.			
Agree	26	16**	22
Feel Neutral	12	6	10
Disagree	62	78	68
The newspaper's editorials candidly address controversial issues in the community.			
Agree	50	69**	57
Feel Neutral	20	8	16
Disagree	30	23	27

*=.01 **=.001 Chi-square analysis

Table 3
Perceptions of Content by Job Title
(Continued)

	Reporter (N=500)	Editor (N=213)	Total (N=713)
Has the newspaper's financial commitment to the editorial side increased, decreased, or remained about the same in the past several years?			
Increased	34%	51%**	41%
Decreased	33	18	28
Remained about the same	33	31	31
Has the amount of local news coverage provided by the newspaper increased, decreased or remained about the same in the past several years?			
Increased	43	61**	49
Decreased	25	15	22
Remained about the same	32	24	29
Overall, how would you rate the newspaper's commitment to quality local news coverage?			
Excellent	24	38**	29
Good	49	46	47
Fair	22	14	20
Poor	5	2	4

*=.01 **=.001 Chi-square analysis

The Seattle Star and the Newspaper Guild Strike of 1937

A case study in the political economy of newspaper competition

Roger Simpson

University of Washington

Abstract

The historiography of American newspapers usually favors the survivors. A case study of the conditions that led to the failure in 1947 of the weakest of three newspapers in the Seattle, WA, metropolitan market highlights political factors in labor as well as conditions of competition. The paper examines a strike by the American Newspaper Guild against the Seattle Star in 1937 and early 1938, and the role of the powerful Teamster leader, Dave Beck, in its outcome. The weakest paper in a three-newspaper market, the Star survived the strike by cooperating with the Teamster leader. The Guild, backed by CIO unions, won a small victory against the Teamsters in their battle for circulation workers in Seattle.

The Seattle Star and the Newspaper Guild Strike of 1937

A case study in the political economy of newspaper competition

Roger Simpson

University of Washington

Introduction[1]

By the mid-1930s, the American newspaper industry showed the scars of retrenchment. The Depression's sad headlines had done little to sell shrinking newspapers to declining numbers of readers. Newspapers responded to falling advertising revenues and bank-loan calls by slashing away at the only part of their overhead not protected by tight agreements with unions, the unorganized white-collar force of news, circulation and advertising workers. Layoffs and wage reductions defined the times for those workers.

In Seattle, three daily newspaper publishers divided the revenues provided by the port economy, logging, farming and manufacturing. The Hearst Corporation's Post-Intelligencer enjoyed the morning advantage, and used it to send newspapers by rail to rural readers from the Pacific coast to western Montana. Local ownership kept the circulation of the afternoon Seattle Times within the limits of its namesake city. The Scripps League's Seattle Star shared the afternoon and evening audience with the Times, and also confined its circulation to the city.2 The Star ran second in the afternoon market to The Times, a paper helped through the depression by an infusion of cash from the Ridder newspapers in the upper Midwest.

In a pattern repeated endlessly in American newspaper history, the Star was falling behind its two larger competitors. Trailing in circulation, advertising and corporate resources, the Star struggled against an economic verity. The weakest paper in any metropolitan turf war was doomed by a combination of relentless market forces: The stronger papers could weaken it by cutting advertising rates (after the last-place contender's demise, they could raise rates to more profitable levels.) Advertisers would abandon the weakest of the papers in the belief that the stronger papers would fetch readers more efficiently. The bigger papers would use the clout of their circulation size to buy the best editorial material and personnel, thus gaining an edge in reader loyalty.3

An astute union leader, however, might play the market forces to the advantage of labor, or, at least, to a sector of organized labor. This paper describes how the fortunes of the Seattle Star became entangled in the politics of labor in America in the watershed year of 1937. Specifically, it examines a strike by the American Newspaper Guild against the Star in 1937 and 1938.

The Pattern of Newspaper Labor

The unions of craftsmen who set type, engraved photographs, composed pages, stereotyped those pages, ran presses and handled the newspapers as they rolled off the presses were wedded securely to the newspaper industry by 1937. The American Federation of Labor and the unions representing the production crafts -- in particular, the International Typographical Union, the largest -- had made peace with the newspaper industry much earlier. The craft unions enjoyed a comfortable relationship with the industry, one that had developed before the intervention of the federal collective-bargaining law, the National Labor Relations Act.4

If falling profits dictated reductions in the labor force, publishers looked first to the unorganized men and women. These non-union workers could be paid as little as possible and fired or transferred with few repercussions for management. Indeed, in the 1930s, harried managers frequently dismissed battalions of such employees, and likely reduced the pay for the "lucky" survivors. Veterans were replaced with college students, men with women, women with teen-age girls. For non-union newspaper workers, this was "the swing of the iron ball."5

These vulnerable workers were courted by new and existing unions trying to expand in the pro-labor climate fostered by the New Deal government. The first moves involved reporters and other news personnel; shortly after, circulation workers were the center of a fight between the new editorial union and the long-established International Brotherhood of Teamsters.

In 1933, a band of reporters led by the columnist, Heywood Broun, vowed to stop the wholesale elimination of newsroom jobs in the industry.6 Broun and his followers formed the American Newspaper Guild just as the Roosevelt administration was fumbling for a labor policy, and newspaper publishers were arguing that newsroom workers were professionals who should be excluded from any wage and hour standards drawn up under the National Recovery Administration.

The new union, vowing to organize and represent newsroom employes, found itself in instant conflict with the publishers: A writer fired in San Francisco; a Newark publisher's refusal to deal with the upstart group. The Guild won a few contracts on small papers, fought the Newark publisher in a four-month strike settled with the help of the Roosevelt administration, and girded for fights with the chain publishers. In February, 1936, in Milwaukee, the Guild struck William Randolph Hearst's Wisconsin News, and, in August, in Seattle, his Post-Intelligencer.7

In September, 1936, the Milwaukee labor council signed a weak strike settlement on behalf of the Guild, which Hearst had vowed to ignore. In Seattle, two months later, the Guild officers proudly signed the same settlement as the Hearst representative. For the first time, a chain corporation guaranteed its newsroom employees minimum wages, sick pay, severance pay, paid vacations and a grievance procedure. The Seattle victory inspired the young union which sent its organizers ever farther afield.8

Coverage of the early strikes and of the colorful, portly Broun left the public with the impression that the Guild was essentially a reporters' union; in fact, its leadership moved switfly to align it with the new advocates of industrial unionism. Chartered by the American Federation of Labor, the Guild displayed the restlessness of an illegitimate child. It had no long history of protecting the jobs of its members, and hence it had no history of cooperation with the entrenched craft unions. Its earliest mission was to stave discriminatory layoffs in newsrooms; it took no stretch of the imagination to see the need to organize the other white-collar departments. In June, 1936, only two months before the start of the strike against the Seattle Post-Intelligencer, the Guild affiliated with the American Federation of Labor. By the time the strike ended in November, 1936, the Guild was rapidly shifting its affections toward the new Committee for Industrial Organization led by John L. Lewis; the Guild affiliated with the CIO the following June.9

The Seattle Labor Structure

At the turn of the century, newspapers were collected at the press by newsboys or hauled by wagons a few blocks to the busiest intersections in town to be peddled by children. By the 1920s, the transport of newspapers had become a major element of cost as well as of labor organization. To deliver papers to residences, newspaper companies needed drivers to haul between press and drop-off points. Papers bound out of town on trains still needed an intermediate haul from press to depot.

On the west coast, the International Brotherhood of Teamsters dominated ground transportation within and between cities. Dave Beck dominated the Teamsters union on the coast.

From his Seattle base, Beck had risen to head the Western Conference of the International Brotherhood of Teamsters by 1937. A trusted lieutenant of IBT President Daniel Tobin, Beck was left free to organize the coastal trucking industry as he wished.

The Seattle newspaper troubles coincided with the battle between the Teamsters and the International Longshoremen's Association for jurisdiction over the warehouses away from the docks. In late 1936, Harry Bridges sent his organizers marching to the inland warehouses in West Coast cities. Beck countered by obtaining an AFL order giving the warehouses to the Teamsters and suspending the ILA locals on the West Coast. Although the battle continued into 1938, Beck successfully halted the march inland.10

In the same period, the Teamsters union provided the leadership of Seattle labor, its representatives regularly presided over the Seattle Central Labor Council and generally influenced the outcome of votes on such critical issues as strikes, boycotts and seating of union delegates.

There is little evidence that Seattle publishers took note of Beck until the 1936 Guild strike against the Post-Intelligencer./ When a newly formed P-I unit, reacting to the firing of two of its members, went looking for labor support, it called first on the Seattle Metal Trades Council. The metalworkers stood to the left of the Teamsters and many unions in the labor council, but their early support for the Guild's case against the labor-baiting Hearst spurred the Teamsters to add their support. Hearst's manager of labor relations wired the international unions urging their opposition, but probably cemented Beck's support by accusing the Teamster of threatening to close the newspaper and to use violence in a strike. By the time the Central Labor Council met on August 12, 1936, to vote on a strike, Beck's support was assured and the unions fell in line, 347 to 3. Only the printing-trades unions opposed the strike. That unusual coalition of progressive and conservative unions resulted in such solid support for the Guild that on the first day of the strike, the Post-Intelligencer plant was ringed by members of virtually every union in Seattle. The newspaper suspended publication, and did not issue another edition until after the strike was settled more than three months later.11

Two of Seattle's three publishers reacted in vitriolic anger. Hearst denounced the Guild and Beck in his national chain of newspapers. At the time, Hearst was being told that six years of a "persistent drive for economy" (the pressure behind staff reductions) had not reversed the corporation's financial slide. In less than a year, bankers would force Hearst to relinquish financial control of his empire.12

Hearst's attacks, delivered to the public by other media, were joined by those of C.B. Blethen, publisher of The Times. Blethen wasted no time on the upstart Guild. The cause of the strike, he told Seattleites in a front-page editorial, was the West Coast Teamster official.

> Seattle is now the plaything of a dictator. Practically without an hour's warning a newspaper has been put out of business. Perhaps all will be -- unless Beck's whim leads him to keep one for his own purposes.
> . . .
> Dave Beck and his following comprise a very small fraction of the city's population. But one bandit can hold up a whole roomful of people.
> How do you like the look of Dave Beck's gun?
> The shame of it!13

The immediate conflict was over union organization among newsroom employees. The publishers, however, may have foreseen an even more sinister threat than that of a reporters' union. If Beck, who already controlled drivers in major industries, could also control the workers involved in the circulation of the newspapers, his influence would be extraordinary. Thus, Blethen, at least, was no longer willing to keep his fears to himself.

The publishers of the Star avoided any direct reference to Beck. The owners commented circumspectly that the newspaper had been closed "through applied pressures of Seattle organized labor groups."[14] The Star, although it no longer deserved it, enjoyed a reputation of support for labor dating from the founding of the newspaper by E.W. Scripps in 1899.[15] Some Star newsworkers already had joined the Guild, including a city editor. If the Guild won recognition from the Post-Intelligencer, it was more likely to organize next on the Star than on the openly hostile Times.

Over the course of the Post-Intelligencer strike, Beck deftly manipulated the Guild, making it clear that the settlement would be on his terms. Money was promised, then withheld to remind the Guild officers how fragile was the goodwill of the Teamsters. In the end, having been thwarted in an attempt to force his own weak settlement through the conservative American Federation of Labor, Beck watched as Hearst agreed to many of the demands of the Guild. including the critical issue of direct recognition.[16]

The Post-Intelligencer resumed publication November 29, 1936, and Hearst greeted readers with the news that he had appointed new publishers, Anna Roosevelt Boettiger, daughter of the President, and her husband, John Boettiger. A newspaper that had entered a strike cast as an opponent of organized labor emerged appearing to be aligned with the Roosevelt Administration. The appearance was deceptive; the new publishers reflected John Boettiger's tenure on the anti-labor Chicago Tribune as often as they exhibited the progressive attitudes of their famous relative. By all accounts, the Boettigers were held to the characteristic standard of penury imposed on the Seattle management from the time Hearst acquired the newspaper. Hearst's nod to the President, who had that same month been re-elected in a landslide despite the publisher's dedicated resistance, reflected a calculation that without the support of labor in this pro-labor city the Post-Intelligencer would not survive.

Beck held one more card in the game played out by the appointment of the Boettigers. In response to the Blethen editorial against him, and to P-I radio broadcasts that attacked him in the early days of the strike, Beck had filed libel suits against both the Times and the Post-Intelligencer. The suits never came to trial; managements saw the wisdom of settling old scores with the Teamster boss as a necessary prelude to allowing the P-I to regain its circulation. The suits were quietly settled out of court for $25,000, a sum that Beck later insisted allowed him to invest in real estate and eventually become a wealthy man.17

The following spring, the Guild began to extend its organization into the circulation departments, and prepared to open negotiations for its first contract with the Star. The Guild had not been given jurisdiction over the circulation workers by the AFL; indeed, the Teamsters claimed jurisdiction based on an award dating to 1919. When William Green, president of the AFL, ordered the rebellious unions expelled from the federation, the Seattle Guild joined a minority of unions in trying to resist Teamster-led efforts to expel the new members of the CIO. By June, 1937, the Guild, led by Heywood Broun, had formally allied itself with Lewis and the CIO.18 The move destroyed any vestige of support Beck might have offered the Guild.

Meanwhile, Beck had given the newspapers a signal that he intended to take jurisdiction over the circulation employes being recruited by the Guild. He first challenged the colorful, but powerless Newsboys Union, a tiny local that represented the aging men and women who sold newspapers on street corners and distributed them to downtown businesses. The Newsboys Union flourished at the turn of the century, when newspapers relied on street-corner sales. Apparently, to stabilize a marketing scheme too susceptible to the whims of schoolboys, the Seattle newspapers and the Newsboys Union agreed by contract to designate street corners to specific members of the union. From that time on, Seattle streetcorners acquired property value and were bought and sold by the boys at "market" value. The "property" conveyed to the union not only stabilized downtown sales, but virtually guaranteed that that many of the boys would mature into men working the streetcorners they "owned." By the

1930s, the "boys" in the union were aged from 25 to 75 years and "in every condition of decrepitude," a county judge declared.19

Although it had been a stalwart AFL local from its inception, the Newsboys Union refused to agree to the new contract handed them by an AFL organizer, working on Beck's behalf, early in 1937. The contract limited the union to a tiny downtown Seattle area and opened up newsvending to non-members of the union. The Central Labor Council promptly suspended the Newsboys Union, and Beck loyalists set up shop on some of the corners. Teamster drivers cut off deliveries to corners held by the ousted newsboys, and the conflict escalated into violence. Two Teamsters were stabbed, several Newsboys were beaten, their customers were threatened, and their papers were tossed into the street. Fighting erupted between the two groups in the next Central Labor Council meeting. Finally, a county judge denied injunctions to both sides. The evidence included details of an attack on three Newsboys by Teamsters driving a car licensed to the president of the Central Labor Council, a Teamsters business agent.20 Soundly intimidated, most of the ousted Newsboys agreed to rejoin the AFL union, leaving downtown newspaper circulation even more firmly under the joint control of the newspapers and the Teamsters. An independent newspaper said the arrangement was evidence that "racketeering is rampant in Seattle's street newspaper vending business and that powerful labor interests are supporting the racketeering."21 The taming of the Newsboys Union was but a warmup for the coming fight with the Guild over Star circulation employes.

The Seattle Star Strike of 1937

Dave Beck often claimed that his authority as a labor leader resulted from his ability to avoid labor strife.[22] He would simply persuade the business executives that it was in his and their common interest to avoid strikes. Indeed, his record suggests a remarkable ability to maintain the stability of the industries his drivers served. In part, Beck's aim was to ensure that healthy companies survived and remained healthy. Weak competitors were no threat to stronger companies, but if they failed, Teamster jobs would be lost.[23]

As Beck battled the International Longshoremen's and Warehousemen's Union over the warehouse workers ("the parking lots were organized as warehousemen," a Guild officer wrote), he claimed the circulation employees.[24] In mid-April, Beck told the Star that the district managers would no longer transport newspapers from the plant to the point where the papers were handed out to carriers. Teamsters would haul the papers; the district managers would drive to the distribution points separately.[25] The Guild quietly recruited the district and branch managers (who worked in outlying stations) and verifiers (who checked on complaints from subscribers). The Star management, seeing it was likely that the Guild had a majority in all white-collar departments, agreed to begin bargaining with the union.[26]

Beck retaliated by giving notice to the Star that the Teamsters had jurisdiction over the circulation workers. William Green, president of the AFL, backed up the claim. By early June, under pressure from Beck, who was clearly angered by the Guild's membership in the CIO, the Star retreated from its welcome to the Guild.27

On Friday, July 2, 1937, nineteen district circulation managers, each of whom directed newspaper delivery in a sector of the city, were called together by Harry Anderson, the newspaper's circulation manager. The Star executive then introduced Lew Shaw, an agent of the Teamsters union, who tried rather forcefully to persuade the managers to join the Teamsters. The previous afternoon Shaw had given the newspaper an order that the circulation managers must be Teamsters.28 When the managers affirmed their support for the Guild, the Teamsters responded by blocking delivery of two editions of the Star. The scripted confrontation continued with a request from Star officials to the Guild to guarantee delivery of the newspapers. Guild members had no choice but to back off; interference with delivery was an invitation to bloodshed. The Star immediately replaced its 19 district managers with men provided by the Teamsters, "none of whom had ever worked for a newspaper."29 The Star agreed to keep the former district managers on the payroll for two weeks.

The next morning, Saturday, the 62-member Star unit of the Newspaper Guild voted to walk out of the paper. The Star warned readers the edition could be the last, and obliquely noted that "a labor union which transports our newspapers from presses to carrier boys suddenly claimed jurisdiction over the district managers who supervise the work of the carriers."30

Guild members devoted the rest of the weekend to preparations for a picket line at 5:30 a.m. Monday. Members of the

Typographical Union refused to enter the plant. The newspaper missed publication and remained suspended until the following Friday.31

To the public, the weekend confrontation that had cut off the Star appeared to be a simple dispute between two unions about jurisdiction over some newspaper employes. The National Labor Relations Board, whose staff already was involved in negotiations, likely would sort the thing out. To the unions, however, the fight was much more complicated.

From the start, the Guild sought its support from the unions sympathetic to Lewis and the Committee for Industrial Organization and Harry Bridges of the ILWU. Indeed, Bridges provided an attorney and other significant assistance to C.L. Irvine, the Guild international representative, beginning the first day of the strike. The Woodworkers Federation and the Metal Workers provided additional support.32 The maritime unions were noted for being far to the left of the labor political spectrum, and there was no doubt there was a pocket of communism within the ILWU. Although the Guild chapter was probably free from the taint of communism at the time of the Post-Intelligencer strike, by the summer of 1937, several Guild members had joined or were about to join the Communist Party.33 The Guild, which had depended on Beck's support in its strike against Hearst, brashly identified Beck, The Teamsters, and the American Federation of Labor as the enemies in the Star dispute.

Star management, which seemed to be caught in the middle of the type of jurisdictional battle becoming so common under the new federal labor law, in fact had already acknowledged its inability to resist Beck. Moreover, John Dore, the mayor of Seattle, also already had sided with Beck and the Star. Dore had been an avowed partisan of Beck since the Teamster leader had helped him win reelection the previous spring. A few weeks after telling the Washington State Federation of Labor convention, "I am going to pay back my debt to Dave Beck and the Teamsters in the next two years regardless of what happens,"34 Dore ordered Seattle police to look the other way as a Teamster-dominated picket line closed down the Post-Intelligencer. The message could not have been missed by executives of the Star.

In the Star strike, it was Dore's role to use the police to reopen the newspaper. Declaring the strike illegal because it had not been sanctioned by the Central Labor Council, Dore gave the orders that sent one hundred police to the Star building to give safe passage to the printers the morning of July 9. The Guild was limited to two pickets at the Star; violators would wind up either in the hospital or the morgue, the mayor said. (Several times during the ensuing months, the police broke Guild picket lines, in many cases arresting Guild members.) Dore stormed about, taking every opportunity to show the errors in the Guild's initiative:

> Whenever the Star wants the pickets off the streets, I'll get them off so fast you won't see them running. When I say that, I'm a better labor man than those who are criticizing me. This town is a union labor town. That's the kind of a town the people here want, but that's no reason for silly performances that do more harm than good to the labor movement.35

Inside the building, the executives worked practically alone to get out the first edition of the Star since the Guild closed it down. A week after the beginning of the strike, the paper was on the streets again, it appeared that Teamsters had provided strike-breakers to do the editorial work,36 and negotiations had broken down over the Star's demand that the differences be submitted to the arbitration of the American Federation of Labor. It was exactly the ploy Beck had used a year earlier in trying to bring about a settlement of the Post-Intelligencer strike on terms suitable to his interests.37 Again, in August, when the Guild pressed its demand to organize all the clerical departments, Star management objected, reminding the Guild that Beck had just proposed that the AFL charter a union to represent such employees.

In the early hours of the strike, the Guild's representative had written the union's headquarters in New York that "this strike has just about every bad feature it is possible to imagine."38 From the union's viewpoint, events in July and August simply reenforced the gloomy assessment. In contrast to the Post-Intelligencer strike, when money flowed easily from the public to the union, the Star situation failed to attract much financial support. Beck's power, the newspaper's collaboration with the Teamster, and the mayor's use of police against the union all gave the Guild members little hope for a significant victory. From the Star's viewpoint, however, there was little reason for celebration. Not only had Beck been accorded an extraordinary influence in the business of the newspaper, but the strike had crystallized a public awareness of the Star's shaky cachet as a progressive labor newspaper. The subject of daily stories about police force being used against striking workers, the Seattle Star could no longer maintain the low profile it had enjoyed during the Post-Intelligencer strike. It became the target of a highly effective drive by the Guild to enlist advertisers and subscribers in a boycott of the newspaper.

Guild members went house to house, asking for a boycott of the Star. When the union tried to rent trucks on which to mount loudspeakers, there were so many "accidents" involving Teamster-driven trucks that the rental companies refused to make trucks available. A battered old truck was found and used for the remainder of the drive. By the end of September, circulation had dropped from around 100,000 at the time of the strike to about 60,000, the Star admitted.39

Advertising fell sharply during the fall and the pre-Christmas season. As local advertisers withdrew, the newspaper relied on national advertising for cigarettes and automobiles to fill the void. The Guild sent letters and delegations to many of the 250 advertisers represented in the Star in early July. By early November, a Guild officer claimed that 90 firms had cancelled all advertising and 35 more had cut commitments to a minimum. Advertisers who refused to cooperate with the boycott were labeled unfair to labor and their names were broadcast by the battered sound truck. Although the city gave notice it would not tolerate secondary picketing of Star advertisers, unions managed to affect business at some stores in nearby towns. The Central Labor Council tried unsuccessfully to halt the business abandonment of the Star and even placed the sound truck on its "unfair" list.40

The Star's two competitors seized the moment to raise their street and subscription prices; the Guild unwittingly helped them out. In the Guild's estimate, neither paper lost very much circulation as a result, and any drift to the Star, which did not raise its prices, was offset by a Guild campaign to remind people that "It's Worth 2 cents more to be Fair."41 (The Times and Post-Intelligencer raised their prices to 5 cents a copy and 75 cents a month for all issues but Sunday; the Star held at 3 cents a copy and 60 cents a month.)

By November, the strike was being carried on through sheer endurance on the parts of both management and the Guild. The formula for settlement eluded both parties. The strikers were suffering as they held out for both the right to organize the circulation workers and for a Guild shop on the Star. The Star's general manager conceded the company also was paying for the strike. Guild officers learned that he had told friends: "If we continue as we are with this terrible boycott against us, we will be forced out of business. Yet, if we sign with the Guild, we will be closed down."42 At a meeting in Los Angeles, the Star's attorney clearly showed the company's fear of Beck; if the newspaper settled with the Guild, it might be forced to wage an editorial campaign against Beck, he said.43

Beck's grip on the Star was evident in December, when the National Labor Relations Board upheld its trial examiner and ordered the reinstatement of the 19 district managers. The examiner had found that the circulation workers were fired because they chose the Guild as their bargaining agent.44 The decision should have opened the way to final negotiations; Star management had insisted early in the strike that the NLRB should decide the fate of the circulation managers. Instead, the company announced that it would not abide by the Board's ddcision until it had been tried in court. The announcement brought new support for the strikers, and renewed protests from both unions and private individuals across the country.

The Guild and management began to negotiate in mid-January, 1938, and after two weeks reached a settlement that divided the district managers, the Teamsters taking those who served areas outside Seattle, and the Guild taking those responsible for home delivery in the city, reinstated the strikers with back pay, and set wages, hours, and vacations. Although management pointedly said it had not agreed to a Guild shop, it did agree that in cases of dismissals Guild members would have first priority in rehiring.[45]

Aftermath

Two years later, the Star management told the Guild that unless it allowed a layoff of 17 employes, the paper would close its doors.[46] Scripps Newspapers, Inc., refused to lend the Star any more money to keep it going, and, in fact, the paper did not have the $7,000 needed for the severance pay for the 17 members. The remaining Guild members signed over their claim to severance pay to secure a bank loan of $7,000 to the Star.

In the fall of 1941, the newspaper was sold to a group of Seattle investors. It survived the war years by obtaining a special newsprint allotment, but after the war circulation dropped from 70,000 to about 33,000. Labor costs and a newsprint contract that provided unneeded, but costly, paper brought the new company to its knees. On August 13, 1947, the Seattle Times bought the Star's newsprint and circulation lists from the Star's third owner, and then closed the newspaper.47 In 1991, Seattle continues to have two metropolitan daily newspapers, the Times and the Post-Intelligencer, both joined comfortably for the indefinite future under a joint operating arrangement that allows them to combine their printing, circulation and advertising.

Conclusions

The failure of a newspaper inevitably enriches the survivors. The one or more survivors gain a distinct measure of life and financial security from the death of a rival. The connection is so direct as to suggest that no newspaper can deny responsibility for the demise of another. But it is clear that the process is more profound than simply an inexorable working out of economic laws.

Management weakness and inflexibility may have played a part in the death of the Star. James and Edward Scripps, grandsons of the Star founder, E.W. Scripps, were not viewed as dynamic executives. Time declared in 1947 that the Star "had spent most of its 48 years flickering as fitfully as a moist match."48 The elder Scripps had been a tight-fisted operator from the start, and in the Depression, the Scripps League, which operated the Star, continued the stingy tradition. Financial records of the three newspapers would illuminate this popular conception, but it is not likely that historians will gain access to such information in the future.49

This study argues for the importance of taking the structure of labor into account in writing the history of the newspaper. Dave Beck's canny manipulation of Teamster power kept the Star within his orbit and checked the growth of the Guild. The Teamsters' move to organize Star circulation managers who already had joined the Newspaper Guild was more than a symbolic challenge to an upstart union that had shown its sympathy for the enemy CIO. Every message Beck sent out to labor conveyed an equally important message to management.

Beck's authority in Seattle in the late 1930s is easily underestimated. His Western Conference of Teamsters dominated truck transportation in the Western United States. Moreover, When the CIO tried to organize retail clerks in the city's big department stores, Beck provided a union to which the merchants willingly sent their employes.50 A friendly city administration and a subservient Central Labor Council gave Beck that much more confidence in his relations with Seattle businesses.

The split in labor over whether workers should be represented on craft or industrial lines deeply affected the Star situation. The Guild, a union with little power of its -- own, likely would not have survived the strike without the money and support of the unions aligned with the new CIO. While Beck influenced the outcome for both the newspaper and the Guild, the "reporters' union" deserves credit for fighting to hold onto circulation workers. A Seattle Guild officer commented years later: " . . . we were very proud that the Newspaper Guild was the first union that stopped him, although we did have some losses. We'd have liked to have had the entire department."51

For his part, it appears that Beck used his power to sustain the third newspaper. Beck could have influenced major advertisers to shift their spending to the Star's competitors. It appears that the Star's cooperation with Beck yielded it, at least, an additional nine years of life -- time secure for the Teamsters, impoverished for the Star. In 1947, on the eve of the newspaper's death, Time magazine noted that the Star had "become the third daily in a town whose advertisers really needed only two."52

End Notes

1 The late William E. Ames, my teacher and colleague, influenced this project in several important ways. I dedicate this ongoing work to his memory.

2 U.S. National Labor Relations Board, Transcript 301F, Hearings July 27-30, 1937, Seattle, Case No. C-238. Hereafter, NLRB Hearing.

3 This description of newspaper competition emerges from numerous sources published since the 1970s. See, for example, The Senate of Canada, The Special Senate Committee on Mass Media, Uncertain Mirror, (Ottawa: 1970), especially Chapter 2.

4 See Edwin Emery, History of the American Newspaper Publishers' Association (Minneapolis: University of Minnesota Press, 1950).

5 The characterization of employment tactics and the phrase were recalled by Harvey J. Kelly, a Hearst Corporation labor-relations executive in the 1930s, in an interview with the author in 1959.

6 Census data showed a decline of wage-earners in the "newspaper and periodical industry" from 130,000 in 1929 to 109,000 in 1933. Afred McClung Lee, The Daily Newspaper in America; The Evolution of a Social Instrument (New York: The Macmillan Co., 1937), 751.

7 Daniel J. Leab, A Union of Individuals (New York: Columbia University Press, 1970).

8 Ibid.

9 Irving Bernstein, Turbulent Years; A History of the American Worker 1933-1941 (Boston: Houghton Mifflin Co., 1970).

10 Bernstein, 582-3. See also Harvey Schwartz, The March Inland: Origins of the ILWU Warehouse Division, 1934-1938 (Los Angeles: Institute of Industrial Relations, University of California, 1978); J.B. Gillingham, The Teamsters Union on the West Coast (Berkeley: Institute of Industrial Relations, University of California, 1956) and Donald Garnel, The Rise of Teamster Power in the West (Berkeley: University of California Press, 1972).

11 The strike is described in detail in William E. Ames and Roger A. Simpson, Unionism or Hearst; The Seattle Post-Intelligencer Strike of 1936 (Seattle: Pacific Northwest Labor History Association, 1978).

12 See, for example, John F. Neylan to W. R. Hearst, March 8, 1944, John F. Neylan Papers (MSS in Bancroft Library, University of California, Berkeley).

13 Seattle Times, August 14, 1936, p. 1.

14 Star, August 14, 1936, p. 1.

15 For a study of Scripps' Pacific Northwest newspapers from 1899 to 1912 see Myron K. Jordan, "Men Not Money; E. W. Scripps and the Penny Newspapers of the Pacific Northwest, 1899 to 1912," unpublished thesis, University of Washington, 1983.

16 Ames and Simpson, pp. 111-140.

17 Ames and Simpson, pp. 141-158.

18 Richard Seller to Morgan Hull, May 1, 1937, papers of the Seattle Local, American Newspaper Guild. The author used copies of these documents made before archives of the union were placed with the Newspaper Guild Collection, Archives of Labor History and Urban Affairs, Wayne State University, Detroit. Hereafter, documents from the union's archive are identified as Newspaper Guild Collection.

19 See the author's "The Newsboy Problem and the Seattle Solution," paper presented to the West Coast Journalism History Conference, Association for Education in Journalism and Mass Communication, March 1, 1991; Argus, May 22, 1937, pp. 3-4.

20 Argus, April 3, May 1 and May 22, 1937.

21 Argus, May 22, 1937, pp. 3-4.

22 Beck interview with author, March, 1978.

23 See Garnel for an examination of this part of Beck's philosophy. Beck affirmed this idea in a 1959 interview transcript, copy in author's possession: "A certain percentage of businessmen found that the stability of their labor forces was an asset actually to their business."

24 Richard Seller to Morgan Hull, May 1, 1937, Seattle Local, American Newspaper Guild.

25 National Labor Relations Board, Decisions and Orders, December 11, 1937.

26 Ibid.

27 NLRB Transcript, Case No. C-238, 203.

28 NLRB hearings, p. 94.

29 C.L. Irvine to International Headquarters (American Newspaper Guild), July 13, 1937, Newspaper Guild Collection.

30 Star, July 3, 1937, p. 1.

31 Star, July 9, 1937, p. 1.

32 Ibid.

33 Interviews with Terry Pettus, December, 1960 and June, 1961, and with H. Richard Seller, June 1961.

34 Washington State Federation of Labor, Proceedings of the Thirty-fifth Annual Convention, Vancouver, Wash., July 13-16, 1936 (Seattle: The Trade Printery, 1936), pp. 5-8. Dore had been attorney for the Brewery Workers Union, with which the Teamsters had fought bitterly for jurisdiction. Nevertheless, as a labor attorney, Dore was closer to Beck's thinking than was his Republican opponent.

35 NLRB Transcript, Case No. C-238, 237 (Quoting Post-Intelligencer, July 8, 1937, 5.

36 American Newspaper Guild, "Seattle Star Strike," internal summary, p. 3, Newspaper Guild Collection.

37 C.L. Irvine to Morgan Hull, telegram, July 10, 1937. Newspaper Guild Collection.

38 Tad Irvine to Vic Pasche, July 13, 1937, Newspaper Guild Collection.

39 The truck rental story was told to David A. Johnson by Robert Camozzi, a Guild officer, in 1962. Circulation numbers from American Newspaper Guild, "Seattle Star Strike," memo, Seattle Local, Newspaper Guild. The union

claimed advertising losses as high as 50 percent from year-earlier levels. See also H. Richard Seller, "Seattle Star Strike," November 5, 1937, Seattle Local, Newspaper Guild.

40 Ibid.

41 Ibid.

42 "Seattle Star Strike," p. 4, Newspaper Guild Collection.

43 Crenshaw to Dick Seller, November 17, 1937, Newspaper Guild Collection.

44 NLRB, Decisions and Orders, December 11, 1937.

45 Star, February 5, 1938, p. 1; "Seatle Star Settlement," New Republic, February 23, 1938, p. 59.

46 Claude M. Smith to Milton Kaufman, June 5, 1940, Newspaper Guild Collection.

47 Rick Anderson, "The Last Star," Seattle Post Intelligencer, July [illegible], 1977, p. A2.

48 Time, April 14, 1947.

49 A former [illegible] of the Star said in [illegible] the records of the newspaper [illegible] Boyer to author, interview, 1973. The Post-Intelligencer [illegible] claimed that many of the records of the period have been destroyed. The Seattle Times has generally not allowed access to company financial records. A useful construction of the financial history of the three newspapers is possible without detailed financial records, but would be a costly and exhausting undertaking.

50 John D. McCallum, Dave Beck (Mercer Island, Washington, The Writing Works, 1978).

51 Robert Camozzi interview, undated (about 1959).

52 Time, April 14, 1947.

Bertelsmann in the U.S.A.: How a German Media Mogul Became America's Largest Book Publisher

Toni Heinzl
Robert L. Stevenson

School of Journalism and Mass Communication
University of North Carolina
Chapel Hill, NC 27599-3365

Submitted to the International Communication Division,
Association for Education in Journalism and Mass Communication,
meeting in Boston, MA, August, 1991.

Bertelsmann in the U.S.A.: How a German Media Mogul Became America's Largest Book Publisher

A discussion about the role of leading multimedia communications enterprises, many of them operating on a global level, often evokes a nightmarish vision: the end of cultural and information pluralism. At the heart of widespread criticism of the media moguls is the notion that those media conglomerates that dominate the publishing business and the information and entertainment media will flood the market with surefire moneymakers targeting the lowest common denominator. Public information would only remain an industrial by-product. If those media enterprises are not even American, such as the German Bertelsmann A.G., they are labeled as anonymous superpowers that cause Americans to worry about losing control over their destiny.[1]

Bagdikian has been the most consistent critic of the media moguls in the last decade.[2] Bagdikian states that "the highest levels of world finance have become intertwined with the highest levels of mass media ownership, with the result of tighter control over the systems on which most of the public depends for its news and information."[3] Here is Bagdikian's list of the small number of media giants that get most of the information and entertainment business:[4]

---

[1] Jaclyn Fierman, "The Selling of America," *Fortune*, May 23, 1988, 54-64.

[2] Ben H. Bagdikian, *The Media Monopoly* (3rd ed.), Boston: Beacon Press, 1990; Ben H. Bagdikian, "Cornering Hearts and Minds: The Lords of the Global Village," *The Nation* June 12, 1989, 805-820; Ben. H. Bagdikian, "The U.S. Media: Supermarket or Assembly Line?" *Journal of Communication*, Summer, 1985, 97-109.

1. Bertelsmann A.G. (books)
2. Capital Cities/ABC (newspapers, broadcasting)
3. Cox Communications (newspapers)
4. CBS (broadcasting)
5. Buena Vista Films (Disney; motion pictures)
6. Dow Jones (newspapers)
7. Gannett (newspapers)
8. General Electric (television)
9. Paramount Communications (books, motion pictures)
10. Harcourt Brace Jovanovich (books)
11. Hearst (newspapers, magazines)
12. Ingersoll (newspapers)
13. International Thomson (newspapers)
14. Knight Ridder (newspapers)
15. Media News Group (Singleton; newspapers)
16. Newhouse (newspapers, books)
17. News Corporation Ltd. (Murdoch; newspapers, magazines, motion pictures)
18. New York Times (newspapers)
19. Reader's Digest Association (books)
20. Scripps-Howard (newspapers)
21. Time Warner (magazines, books, motion pictures)
22. Times Mirror (newspapers)
23. Tribune Company (magazines)

Bagdikian finds that although book publishing is less driven by the commanding force of mass advertising on which newspapers, magazines and broadcasting depend, it is still highly concentrated. Six corporations dominate the 2,500 companies in revenues that regularly issue one or more books a year and earn more than half of the book revenues.[5]

---

[3] Bagdikian, *The Media Monopoly*, 21.

[4] Ibid., 21-22.

Following a similar business strategy of multimedia operations, five of the six largest book publishers are also active in other media. The six companies are:[6]

Paramount Communications (Simon & Schuster, Ginn & Company, and others);
Harcourt Brace Jovanovich (Academic Press and others);
Time Warner (Little, Brown; Scott, Foresman; and others);
Bertelsmann A.G. (Doubleday, Bantam Books, and others);
Reader's Digest Association (Condensed Books and others);
Newhouse (Random House and others).

A closer look at the American book publishing industry suggests that the impact of media conglomerate ownership on the marketplace of ideas has had far less dramatic consequences than critics have feared.[7] Unlike the situation in the news media market, the special nature of the book publishing industry still produces a wide array of cultural diversity.

---

[5] Ibid., 24.

[6] Ibid.

[7] The debate about the impact of media ownership on popular culture and public information is often clouded by outdated theoretical and methodological approaches. In some cases, critics apply standards derived from a canon of elite culture that is no longer valid. A good discussion of this problem is in John G. Cawelti, "With the Benefit of Hindsight: Popular Culture Criticism," *Critical Studies in Mass Communication*, 2:363-379 (1985); and Mike Budd, et al., "The Affirmative Character of U.S. Cultural Studies," *Critical Studies in Mass Communication*, 7:169-184 (1990). Other studies fail to concentrate on the organization and behavior of the criticized business enterprises. Only with the study of these core questions can a further analysis be filled out and completed by adding issues of labor, international, and financial economics, as Douglas Gomery pointed out in "Media Economics: Terms of Analysis," *Critical Studies in Mass Communication* 6:43-60 (1989). Benjamin M. Compaine, "The Expanding Base of Media Competition," *Journal of Communication*, (Summer 1985), 81-96, has analyzed the relationship between media ownership, technology, competition, and the marketplace of ideas and comes to the conclusion that few owners of media enterprises

The American Book Publishing Industry

The fact that the term "business" has increasingly been applied to book publishing coincides with an overall positive development both for the producers and the potential book purchasers. In the past fifty years, the number of publishing companies, titles published, and bookstores has continuously increased. In 1947, there were only 635 publishing companies in the United States. Today, there are more than 20,000 firms with an annual output of 50,000-55,000 titles. In 1988, the U.S. book publishing industry grossed $12.8 billion.[8]

Textbooks, professional books and reference works, rather than literature or trade nonfiction, make up the bulk of the book sales. A traditional point of view only regards book publishing of the latter category as a contribution to culture. Still, more than 5,000 new fiction titles were published annually in the 1980s, well over twice the number in 1960.

The U.S. book market consists of the following broadly defined categories, with percent of total shipment shown in

---

have sought to influence the editorial thrust of their companies' products. At best, Compaine finds, their objectives have been to put out quality work; at worst, simply to make a profit, which can be consistent with acceptable substance.

[8] Compaine, op cit., 89. *1989 U.S. Industrial Outlook. Prospects For Over 350 Industries* (Washington, D.C.: U.S. Department of Commerce, 1989), 37-6.

parentheses: textbooks (33 percent); technical, scientific, and professional books (20 percent); adult and juvenile trade books (17 percent); mass market paperbound books (8 percent); religious books (5 percent); and all other books - including book club books, mail order publications, university press books, and music and reference books (17 percent).[9]

Big money is not necessarily a prerequisite to enter the lucrative market. The evolution of sophisticated yet inexpensive editing and typesetting systems has reduced capital requirements for starters, thus fostering the growth of the author-publisher. Approximately 2,000 firms publish at least four titles per year each and represent more than 90 percent of the industry's sales volume. To facilitate communication with authors, agents, and suppliers, the largest publishing firms tend to be located in large cities across the nation.

Adverse tax rulings that substantially limited inventory writeoffs caused publishers to reduce significantly the quantity of books printed per title. From 7,000-10,000 copies per title in the 1970s, print runs of the average book went down to 2,000-5,000 copies per title in the 1980s.[10]

The low foreign exchange value of the U.S. dollar affected soaring exports of U.S. books in the late 1980s. In 1988, for example, foreign sales of U.S. books totaled $915 million, 24 percent ahead of 1987. Canadian purchases account for a third of U.S. export sales, with an additional 33 percent represented by combined shipments to Australia, Japan and the United Kingdom. Foreign sales of adult and juvenile trade books amount to half of the U.S. exports, with another 25 percent represented by combined sales of textbooks and technical, scientific and professional books.

---

[9] Ibid., 37-8.

[10] Ibid.

The United States imported books worth an estimated $860 million in 1988. The largest supplier is the United Kingdom, with estimated 1988 book shipments of $215 million, or 25 percent, of total U.S. imports.

The low-valued U.S. dollar not only helped exports and hindered imports but also influenced merger and acquisition activity in the U.S. publishing industry. Foreign media conglomerates in Germany (Bertelsmann), the United Kingdom and France were especially interested in entering the large U.S. book market via the acquisition process. If the U.S. dollar remains low compared to other major currencies, experts predict additional ventures.[11]

Generally, a factual look at the U.S. book publishing industry refutes the bleak picture painted by some media critics. Compaine[12] and Hirsch[13] come to a positive assessment because they believe the special character of the book publishing business fosters the principles of the marketplace of ideas. Hirsch argues that the low costs of printing, offsetting, and photocopying a manuscript make the market accessible to virtually anyone. On the other hand, success in the market of ideas is rather unpredictable. There is no surefire formula for a best seller; a publisher can never definitely predict which of his books will beat the competition and turn out to be a moneymaker or, at worst, a "sleeper."[14] Hirsch writes:

---

[11] Ibid., 37-8.

[12] Op cit.

> First, few adverse or long-range consequences, in terms of what gets published can be found to have followed any of the merger activity in this industry since 1960.
>
> Second, book publishing remains highly competitive in its market structure, with the result that changes in ownership can have little impact on the market structure within which these firms must operate.
>
> Third, small publishers are thriving and the number of new titles released remains at record levels. Under these circumstances, it remains unlikely that worthy books are going unpublished.
>
> Fourth, if public policy considerations are to be drawn from the above, an important one is that it is far more sensible for private and public agencies to subsidize authors to write than to interfere in the publishing process - the current policy of the National Endowment for the Arts.
>
> Finally, paperback and textbook publishing, and book distribution in general, may become (even) more oligopolistic in the future.

Overall, then, a sober consideration of the economic and organizational changes that have taken place in the book

---

[13] Paul M. Hirsch, "U.S. Cultural Productions: The Impact of Ownership," *Journal of Communication* (Summer 1985), 110-121.

[14] Ibid., 113.

publishing industry suggests that their impact on the quantity of elite cultural products is less than critics would have us believe and may in fact belie a conflict of desires on the part of the "creators" of culture to benefit from the consumer orientation of the mass marketplace.[15]

Bertelsmann

It is hard to imagine that Bertelsmann, not only America's largest book publisher but also a global book and magazine publisher and electronic media company, originally started over 150 years ago in the provincial Westphalian town of Gütersloh as a mom and pop shop specializing in religious literature. Today Bertelsmann's worldwide operations dwarf Rupert Murdoch's News Corporation or CBS, to name some of its better-known rivals.[16]

Bertelsmann sells recordings by Whitney Houston and Jascha Heifetz, books by Lee Iacocca, Bill Cosby or Jorge Amado. The Bertelsmann empire includes book clubs, record and compact disc production, magazines, television programs, printing and distribution operations as well as stocks and certificates. Most

---

[15] Ibid., 20-121.

[16] For the history, see Jörg Becker, "Der Bertelsmann-Konzern," in Dieter Prokop (Ed.), *Medienforschung: Konzerne-Macher-Kontrolleure* Vol.1 (Frankfurt am Main: Fischer, 1985), 48-82; and Hans-Jürgen Jakobs and Uwe Mueller, "Reinhard Mohn: Der Bertelsmann," in *Augstein, Springer & Co. Deutsche Mediendynastien* (Zürich and Wiesbaden: Orell Fuessli, 1990),.287-326. See also "The Media Company That Makes Murdoch's Empire Look Small," (*The Economist*, April 9, 1988), 63-64; and David Manasian, "Bertelsmann's Stairway to Stardom," *International Management*, (Nov. 1987), 36-43.

Americans -- certainly those who encounter the popular media -- see, read or hear a Bertelsmann-owned product regularly. The company generated $6.7 billion in annual sales in the fiscal year 1988/1989 (the last year for which comprehensive statistics are available) and employed some 44,000 people in 25 countries.[17]

Bertelsmann is organized in seven main divisions:

- International Book and Records Clubs
- Book Germany, Austria and Switzerland
- Bertelsmann Publishing Group International
- Printing and Manufacturing
- Music and Video
- Electronic Media
- Gruner and Jahr (publishing and printing operations)

The bulk of Bertelsmann's profits (70 percent) comes from operations abroad in Europe outside Germany and overseas. The American business, the biggest chunk in the company's investments in a single foreign country, accounts for 30 percent, nearly the same amount totaled in Germany, Austria and Switzerland together. As a global organization, Bertelsmann and its operating companies have headquarters in major communications centers such as New York, Paris, London, Barcelona, Munich and Hamburg, but the central headquarters are still in provincial Gütersloh, a town of 80,000.

Following a global strategy, it is the company's policy to respect the national characteristics and cultural traditions of each of the more than two dozens countries in which it operates. It is impossible to detect even hints of German culture from the product lineup of Bertelsmann's companies abroad. Targeting specific preferences of a national public or audience, the company has custom-tailored its products for each country: French culture in France, Spanish culture in Spain, American culture in the United States, and so on.

---

[17] For business data, see *Bertelsmann Annual Report 1988/1989* [Bertelsmann Corporate Communications and Public Affairs publication] (Gütersloh: Bertelsmann A.G.,1990), (no page cite).

Bertelsmann's seven divisions operate autonomously and are represented by their senior managers on the Executive Board, which sets corporate strategies and policies. An entrepreneurial manager heads each of the more than 200 operating units and is responsible for its assets, employees and profits.

The nonprofit Bertelsmann Foundation controls the majority of the company's stocks. Private equity ownership, as of June 30, 1989, remained largely in the hands of the Mohn family, although some stock is shared with employees. Reinhard Mohn, 70, who led Bertelsmann to its worldwide success as Chief Executive Officer from 1947-1981, is the patriarch of this $3.6 billion family fortune. Bertelsmann shareholders' capital is distributed as follows: Bertelsmann Foundation (68.6 percent), Mohn family (17.9 percent), Reinhard Mohn (2.6 percent), Dr. Gerd Bucerius (10.7 percent).[18] Reinhard Mohn, now chairman of the company's Supervisory Board, has transferred a majority of the share capital to his son Johannes, the sixth generation of Mohn family working in the highest echelons of the company, while his five other children and wife hold unspecified amounts. *Forbes* magazine ranked the Mohn family No. 17 in its list of the world's billionaires.[19] Reinhard Mohn has kept a single DM 500 share that has all the votes, which will eventually go to the Bertelsmann Foundation after Mohn's death.

---

[18] Ibid.

Bertelsmann founder Carl Bertelsmann had only 14 employees when he turned over the small publishing company of Bibles and religious (Protestant) literature to his son Heinrich in 1849. Under Heinrich Bertelsmann's leadership, the company expanded to 70 employees. He published a newspaper, *Konservativer Volksfreund* (The Conservative Friend of the People), and opened the list of titles published to include fiction, poetry, scientific and trade books. Heinrich Bertelsmann acquired small publishing companies in Stuttgart, Wuppertal and Berlin. Driven by a sense of religious and entrepreneurial responsibility for his employees, he founded the first German corporate social insurance fund for retirees and invalids.[20]

After the death of Heinrich Bertelsmann - he left no male heir - his son-in-law, Johannes Mohn, took over the company. In 1921, his son Heinrich became chief of Bertelsmann and embarked on investments that oriented the company towards a mass market for popular literature. Heinrich Mohn's chief of distribution operations, Fritz Wixforth, introduced innovative techniques of mass advertising and distribution and prepared the foundations of the future readers' circles or book clubs. The publishing company expanded, and Bertelsmann acquired additional publishing companies.

---

[19] "Ranking Foreign Billionaire Fortunes," (*Forbes*, July 24, 1989), 212; and Philip Glouchevitch, "Mohn Family," ibid., 142.

[20] Bertelsmann has a reputation of a "red" media empire, due to the long company tradition of social insurance and models of premiums and profit-sharing for its employees. A good discussion of this topic is in Hans-Juergen Jakobs, et al., op cit.

All success came to an end when the Nazis closed down the company in 1943/44. The reason: The publisher's activities on behalf of the Protestant anti-Nazi Confessing Church (Bekennende Kirche) had angered Nazi officials. Heinrich Mohn had not become a Nazi party member, which was detrimental, both from a political and a business point of view, in a country where culture, news, information and entertainment were streamlined through the Reichskulturkammer (Reichs Chamber of Culture) and other Nazi organizations. When a British bomb attack struck the main building of the publishing company in 1945, many believed the Bertelsmann tradition had come to an end.

Reinhard Mohn, the publisher's son, says he learned essential lessons about society, politics and business during the two years he spent as a prisoner of war in Kansas. American troops had captured the young soldier of the German Wehrmacht in North Africa. Mohn wrote:

> I quickly realized that the American concept of individual freedom was more than just a platitude; it was what made the United States unique. I saw the power of a free economy. I came to understand the

> importance of the right of each person to realize his or her potential.
>
> Upon my return to Germany, I found the Bertelsmann facilities literally flattened. Reviving the company was difficult and challenging, and over the years I often sought guidance from those I felt were the greatest management teachers in the world - the Americans.[21]

Mohn proved that he had learned his lessons from the Americans. The German book trade and publishing businesses were nearly dead in the first postwar years. Bertelsmann managed to rebuild the flattened plant in Gütersloh - most of the printing machines had been spared in the bombing - and by 1948 enough purchasing power had returned to enable people to buy books. The Bertelsmann idea that proved most successful in those years was the book club business. The Germans, bombed out and hungry for literature and any kind of entertainment, needed to rebuild their personal libraries. Bertelsmann came up with a modified concept, in which the company combined its book clubs with retail book stores and independent distribution and advertising companies. The book stores helped recruit members, Bertelsmann Book Clubs served them, and Bertelsmann publishing companies provided the books. Aggressive sales and advertising techniques, unheard of in old-fashioned Germany at that time, provoked a lot of criticism in those early days.[22]

---

[21] *Bertelsmann USA* [Bertelsmann Corporate Communications and Public Affairs and U.S. Corporate Communications - News Bureau] (New York: Bertelsmann Inc., 1988), 7.

[22] Hans-Jürgen Jakobs, et al., op cit., 294-295.

Nevertheless, the combination was a great success, and Bertelsmann was bound for a rapid growth period that continued until today. Book clubs were the first Bertelsmann operations to be exported to other countries, and they now have more than 22 million members worldwide, the largest book club affiliate abroad being in the French-language countries of France, Belgium and Canada. France Loisirs with more than 5 million members and over DM 730 million in annual revenues is larger than the German clubs, which took in DM 576 million.[23]

The books clubs -- the Bertelsmann readers' circles -- were the company's main investment in the 1950s, during Germany's legendary postwar economic miracle, the *Wirtschaftswunder*. In the 1960s, the company embarked on a strategy of diversification. Bertelsmann added printing and industrial facilities, music companies, book clubs in Spain (the first clubs abroad) to the publishing and club business. And the company also left the media sector for investments in chicken farms to cinema chains. Former CEO Reinhard Mohn persuaded his management colleagues to forgo these often confusing activities to make Bertelsmann a global media enterprise specialized in every profitable field of the media world, from print to electronic media.[24]

In the 1970s, Bertelsmann surprised the German media scene when it acquired Gruner and Jahr publishing company, the leading

---

[23] *Bertelsmann Annual Report 1988/1989*, op cit., 13.

[24] "The Media Company...," op cit.

German magazine publisher. The company publishes, among other titles, the leading German weekly, *Die Zeit*, the illustrated *Stern* (a popular mixture of *Life, People* and *Reader's Digest*, which gained worldwide notoriety with the publication of the infamous forged Hitler diaries, for which *Stern*, that is to say Bertelsmann, paid more than DM 9 million), and magazines such as *Geo*, *Brigitte* or *Capital*. Bertelsmann expanded to several European countries, to Latin America and the United States.

For the first time, revenues abroad surpassed the domestic business. But it was not entrepreneurial inventiveness alone that brought to pass these developments. Tough antitrust legislation in Germany prevented Bertelsmann from devouring additional publishing companies. The media giant was forced to go abroad for new promising investments.[25]

In the 1980s, the company underwent a phase of consolidation. At the same time, it founded a division for electronic media to participate in the growing private broadcasting business after the loosening of federal regulations that had traditionally favored the peculiar German version of public broadcasting. Among other operations in that sector, the company invested millions in the largest private German television network, RTL Plus, the highly profitable Ufa film and television company and several regional private (commercial) radio stations as well as cable TV stations. In the mid-1980s,

---

[25] Hans-Jürgen Jakobs, et al., op cit., 296-298.

Bertelsmann took over leading American record and publishing companies (RCA, Bantam Doubleday Dell Publishing Group and achieved a position at the top of the media moguls worldwide.

Even shortly before Germany's reunification, the company expanded its book clubs to former East Germany, but it also tried to get a foot in the thriving media business in the young democracy. Bertelsmann obtained shares of the daily, *Sächsische Zeitung*, and acquired the region's largest printing facility, Graphischer Grossbetrieb. For the 1990s, Bertelsmann CEO Mark Woessner announced major investments in former East Germany and the United States, here especially in the Bertelsmann Music Group. The music and video businesses of the Bertelsmann Music Group grossed DM 3.2 billion in 1989/1990, an increase of 11 percent over the previous year. And the electronic media sector was highly profitable, too: it grossed DM 850 million, a 35 percent increase compared to 1988/1989. The company plans to increase its investments in the field of electronic media. For the start of the new pay-TV-channel *Premiere*, Bertelsmann has invested DM 360 million for a 37.5 percent share of the project.[26]

Bertelsmann in the United States

Bertelsmann started its American operations in the mid-1970s. The company's U.S. businesses encompass music, magazines, book clubs and printing facilities. Today the Bertelsmann companies in the United States generate about 30 percent of the media giant's total revenues. But not every investments turned out to be successful. Bertelsmann had to learn several costly lessons. Know-how collected in German operations could not always be profitably exported to other countries.

---

[26] "Bei Bertelsmann stieg Gewinn stärker als Umsatz," (*DPA Informationen*, 37/09/13/1990), 17-18.

The Music Business

The Bertelsmann Music Group (BMG) is a division with global activities. Bertelsmann started its music business in the 1950s with the foundation of the Ariola label, but only in the United States, the heart of the worldwide music market, did the company have major success - after initial setbacks. Bertelsmann founded Ariola USA (1975/76) and the Interworld Music Group (1976/77). The company took over the music publishing rights of the Walt Disney Company and the Wonderland Music Corporation. These were small companies compared to the acquisition of Arista Records from Columbia Pictures in 1979/80. Although Arista Records was one of the most interesting labels on the American record market, the company took heavy losses during the recession in the world music market beginning in 1980/81. The problem of pirate copies and private copies added to this situation. In 1982/83, the company sold 50 percent of the Arista shares to RCA. Two years later, the Ariola merged with RCA in a joint venture. In Germany, Austria and Switzerland, Bertelsmann kept a 51 percent majority of the shares and the management control; in the United

States and on the international market, Bertelsmann held 25 percent and RCA 75 percent and the management responsibility.

The year 1986 brought a breakthrough for Bertelsmann's U.S. music business. Bertelsmann bought the RCA record label from General Electric for $330 million and founded the Bertelsmann Music Group headquartered in New York City. BGM's main labels are RCA, Arista and Ariola; the company plans a fourth one. The BGM labels sell superstars such as Whitney Houston, Barry Manilow, Patti Smith, The Grateful Dead, Dionne Warwick and many other artists who won numerous Grammy awards and gold or platinum disks. BGM grosses about DM 3 billion annually.

Magazines: Successes and Failures

With the company's experience in the printing and publishing businesses, and under consideration of tough antitrust regulations in Germany, it seemed to be a logical step that Bertelsmann would enter the highly segmented U.S. magazine market. In 1977/78 Gruner and Jahr USA was founded. The company started with the acquisition of *Parents* and *Young Miss*. Both magazines were re-designed and jazzed up; *Young Miss* was changed to *YM*. In 1989, *Parents* had a circulation of 1,750,000; *YM* reached 900,000.

But there were also costly failures. In 1979/80, the company launched *GEO USA*, an American version of the prestigious high-quality German geographic magazine. The publication failed to catch on, and after two years it folded with losses of some

$50 million. The company had underestimated the strong standing of its main competitor, *National Geographic*, and miscalculated the reading habits of the Americans. Without adapting it to the American reading habits and perspective, the company had plainly imported the German concept, which had been highly accepted in France and Spain.

Undaunted by the *GEO* flop, Bertelsmann bid $130 million for *U.S. News and World Report* in 1984, only to be outbid by real estate tycoon Mortimer B. Zuckerman.[27]

In 1990, Gruner and Jahr USA bought the firm Child Development Products from Johnson & Johnson, thus expanding its reader service. Experts predict that Bertelsmann will face tough competition in the 1990s from Hachette, Maxwell, Murdoch and others in the fight for U.S. magazine titles.[28] Note the irony that none of these global giants is American owned.

The Printing Business

The Bertelsmann Printing and Manufacturing Corporation (BPMC) is a full-service printing and manufacturing organization with operations on both coasts equipped to meet virtually all book and magazine publishing needs. It started with the acquisition of Brown Printing in 1979/80. This lackluster, once successful firm profited from Bertelsmann's know-how in the field. The company was reorganized; Bertelsmann took advantage of Brown Printing's sales and marketing experience and introduced to the company computer-operated printing techniques developed in Europe. Today Brown Printing is one of the largest magazine printing firms in the country. It produces parts of more than 135 magazines, among others *Time*, *Fortune*, *Sport Illustrated*, *Working Woman*. It also produces catalogs of leading department stores such as Best, Bell, Fingerhut and Gander Mouting.

---

[27] John E. Pluenneke, "Bertelsmann's U.S. Invasion May Be Just Beginning," (*Business Week*, Aug. 10, 1987), 73.

[28] "Parish Magazines for the New Europe," (*The Economist*, July 16, 1988), 65-66.

In the years from 1983 to 1987, Bertelsmann acquired: OPM in Pennsylvania, the company that prints 25 percent of all American paperbacks; Delta Lithograph in California, specializing in professional and industrial books; the Doubleday printing facilities in Orange and Berryville; Riverside County Publishing with offset printing firms in Los Angeles and San Francisco.

The Book Business

With only few but costly acquisitions, Bertelsmann became America's largest book publisher in 1986/87. Nevertheless, the media enterprise remains only known among experts. Since the company did not change the names of firms or brands acquired, many Bertelsmann customers may still believe they buy American.

Bertelsmann entered the American book publishing market with the acquisition of 51 percent shares of Bantam Books. In 1980/81, the remaining shares were acquired. Bertelsmann added hardcover books to the firm's paperback lineup. Bantam publishes

700 titles per year, 60 of them hardcover books. The firm has published Lee Iacocca's autobiography and Kitty Kelly's unauthorized biography of Frank Sinatra in hardcover editions. Among Bantam's paperbook successes are *Exodus*, by Leon Uris; *Catcher in the Rye*, by J. D. Salinger; and *Future Shock*, by Alvin Toffler.

The company failed in 1979-1985 in its first attempt to launch a book club modeled after the European book clubs. In cooperation with the Scott & Fetzer firm, World Book, the company found out that different ordering habits and systems were not compatible with the European model. Soon Bertelsmann proved that it had learned from this experience.

In 1986/87, on the same day when Bertelsmann acquired RCA Records for $330 million, it struck again with the acquisition of the troubled Doubleday group for $475 million. The Doubleday group comprised the Doubleday hardcover publishing company; Dell/Delacorte paperback and hardcover publishing company; book clubs with the Literary Guild, Doubleday Book Clubs and several special clubs; textbook publishing and trade; several printing operations and publishing and book club operations in Canada, Great Britain and Australia. Bertelsmann founded the Bantam Doubleday Dell Publishing Group and made it the largest English-language trade publishing company of the world. The group delivers 200 million books per year to its customers; it publishes 2,000 new titles every year. In 1988/89, the group generated DM 1 billion in revenues.[29] Doubleday publishes both popular books targeting a mass public as well as the works of some writers of the elite of twentieth century literature, from Joseph Conrad to Theodore Dreiser, from Aldous Huxley to Sinclair Lewis. After the RCA and Doubleday double coup, Bertelsmann's equity rate fell from 27.2 percent (1985/86) to 18.1 (1986/87). The management ordered a phase of consolidation.[30]

In the same period, Bertelsmann founded the Doubleday Book and Music Clubs, Inc. Bertelsmann learned to adapt to the negative-option distribution system, which is different from the European system where members are obliged to make four purchases from the club per year. The flagship of the eight clubs with 2.3 million members is "The Literary Guild." The list of clubs comprises "The Mystery Guild," "The Military Book Club," "The Fireside Theater," "The International Collectors Library," "The Large Print Home Library" and "The Science Fiction Library."

In 1990, Bertelsmann sold the 39 Doubleday Book Shops that had been part of the Doubleday group because of a conflict of interest. The book shops would have been in the way of the company's plans to strengthen the cooperation with major U.S. trade publishing chains and independent trade publishers that sell adult and juvenile trade books - works of fiction or nonfiction sold through bookstores.

---

[29] At the beginning, Bertelsmann CEO Mark Woessner had doubts if the group would ever bring in the money invested. See Richard C. Morais, "The latest U.S. media giant isn't even American," (*Forbes*, April 25, 1988), 70-72.

[30] "Der Bertelsmann-Konzern," *Media Perspektiven* 12:748-750 (1987).

There is no doubt that Bertelsmann will expand its book and magazine operations in the United States, since the company is so dominant in its domestic market for book clubs and magazines that the German cartel legislation would ban any further large-scale mergers or takeovers. It was for good reason that the media giant moved one of its international headquarters to New York City, now a center of its worldwide operation.

Conclusions

Bertelsmann's investments in the United States follow a truly global strategy of a media empire that aspires to combine know-how, experience and enormous financial power to get its share of the world's media market - from printing and manufacturing to music and video, from electronic media to magazine and book publishing, from book clubs to innovative communications technologies. Future possible markets for Bertelsmann will be in the Far East, where it is virtually unknown, commercial West European broadcast stations, in East Germany and Eastern Europe in general and, especially, in the United States. Market analyst Zakon writes:

> Globalization allowed Bertelsmann to grow rapidly and broadly within the tight focus of its core business -- book and record clubs. And having achieved a new network of markets and intellectual capital,

> Bertelsmann can look to new ways of moving its publishing software through the network.[32]

Depending on one's perspective, the Bertelsmann operation is either the wave of a future, a global multimedia giant helping to create a global culture, or another example of the sellout of American popular culture to foreigners who see it as one of the remaining profitable American industries. Either way, most Americans in the 1990s will regularly encounter books, magazines, catalogs, records, CDs and probably even TV programs and movies tied to the quiet German town where Herr Bertelsman began selling Bibles and religious tracts 150 years ago.

---

[32] Alan J. Zakon, "Globalization is More Than Imports and Exports," (*Management Review*, July 1988), 57.

APPENDIX I: BERTELSMANN HOLDINGS

As of December, 1989. Partial ownership indicated by percentages in parentheses. Data from Bertelsmann AG Annual Report, 1988-89.

International Book and Record Clubs:

Europe: Book Club Associates, Britain (50); Circulo de Lectores, Spain; Circulo de Leitores, Portugal; E&B Music Clubs, Sweden; E.C.I. voor Boeken an Platen, Belgium (65); ECI voor Boeken an Platen, Netherlands (65); Euroboek B.V, Netherlands; Euroclub Italia, Italy; France Loisirs Belgique, Belgium (50); France Loisirs, France (50); France Loisirs (Suisse), Switzerland (50); Nederlandse Boekenclub, Netherlands (65); Nederlandse Lezerkring Boek en Plaat, Netherlands (65); Setradis, France (50); S.G.E.D, France (50); Leisure Circle, Britain.

Overseas: Circulo de Lectores, Colombia (23); Circulo de Lectores, Venezuela (49); Doubleday Australia; Doubleday Book & Music Clubs, USA; Doubleday Book & Music Clubs, Canada (49); Doubleday New Zealand; Quebec Loisirs, Canada (50).

Book Germany, Austria, Switzerland:

Book and Record Clubs: Bertelsmann Club, Bertelsmann Club Vertrieb, Deutshe Buch-Gemeinschaft, Hallo RTL, Ring der Musikfreunde, Gütersloh; EBG Buch + Musik, Kornwestheim; Verlagsgemeinschaft, Rheda-Wiedenbrück; Buchgemeinschaft Donauland, Kremayr & Scherau, Austria; Buch- und Schallplattenfreunde, Switzerland.

Trade, Encyclopedias, Maps and Atlases: Bertelsmann Lexikon Verlag, Gütersloh; Bertelsmann Lexikothek Verlag für Bildungssysteme AG, Rheda-Wiedenbrück/Glattbrugg; C. Bertelsmann Verlag, Blanvalet Verlag, Geo Center, Goldmann Verlag, Albrecht Knaus Verlag, Mosaik Verlag, Orbis Verlag, Prisma Verlag, RV Reise- und Verkehrs-Verlag, Munich; Siedler Verlag, Berlin.

Bertelsmann Publishing Group International:

Germany: Ärzte Zeitung, AZ direct-marketing bertelsmann GmbH, BDB-Bau-Datenbank (99), Bertelsmann Fachzeitschfiten, Bertelsmann InformationsService, European Law Press, FEB Fernakademie für Erwachsenenbildung, Fuchsbriefe Dr. Hans Fuchs, Gabler Verlag, Heinze, i.p.ibau-Planungsinformationen (51), ILS Institut für Lernsysteme, Kapitalanlage-Informations-zentrum, MMV Medizin Verlag, pro-Video Verlag (30), Verlag Aktuelle Information, Verlag Heinrich Vogel, Heinrich Vogel Fachzeitschriften, Friedr. Vieweg & Sohn, Westdeutscher Verlag, Wila-Verlag.

Religious: Gütersloher Verlagshaus Gerd Mohn, Kiefel-Verlag, Rufer Versandbuchhandlung.

Abroad: AZ direct marketing bertelsmann, Switzerland; AZ direct marketing bertelsmann, Austria; Bantam Doubleday Dell Publishing Group, New York; Doubleday Book Shops, New York; Doubleday Canada (49); LTV Lokal-Telefon-Verzeichnis, Switzerland; publienvio AZ direct marketing bertelsmann, Spain.

Printing and Manufacturing:

Offset Printing Germany: Belser Offsetdruck, Stuttgart; Elsnerdruck, Berlin; Gütersloher Drucksrvice, Gütersloh; Heichlinger Druckerei, Munich; Mohndruck Graphische Betriebe, Gütersloh.

Rotogravure Plants, Germany: Deutscher Supplement Verlag, Nuremberg (75); maul-belser, Nuremberg (75).

Abroad: Bertelsmann Printing & Manufacturing Corp., New York, Berryville, VA, Dallas, PA, Los Angeles; Eurohueco, Barcelona (95.9); Nuovo Istituto Italiano d'Arti Grafiche, Italy; Printer Colombiana, Colombia; Printer Industria Grafica, Spain; Printer Portuguesa, Portugal; Druck- und Verlagsanstalt, Austria.

Paper Production: Cartiere del Garda, Italy; Cartigar Papiervertrieb, Munich;

Services: Bertelsmann Distribution, Gütersloh; eps - Bertelsmann Electronic Printing Service, Gütersloh.

Music and Video:

Bertelsmann Music Group: Arista Records, New York; BMG Ariola, Greece, New Zealand, Thailand, Belgium, Argentina, Ireland, Hamburg, Netherlands, Hong Kong, Denmark, Malaysia, Portugal, Spain, Munich, Mexico, Norway, France, Brazil, Italy, Chile, Singapore, Sweden, Australia, Austria, Switzerland; BMG Direct Marketing, New York; BMG Music Canada; BMG Music New York; RCA Records/BMG Classics; BMG Records, Britain; BMG Victory, Japan (50); Miller International, Britain.

BMG Music Publishing: Arabella Musikverlag, Munich; BMG Songs, Los Angeles and New York; BMG Music Publishing, Netherlands, Belgium, Britain, Spain, Mexico, France, Brazil, Italy, Sweden, Japan, Canada; Cyclus Musikverlage, Munich; UFA Musik- und Bühnenverlage, Munich.

Video: BMG Video, London; UFA Werbefilm, Düsseldorf; UVA Video, Munich.

Electronic Media:

Film, Radio and Television: Antenne Bayern, Munich (16); Canal plus, Hamburg (50); FPs Funk-Programm-Service, Bonn (75); Fratel, Luxembourg (14.29); G+J-Film-Produktion, Geo-Film, HRB Hamburger Rundfunk Beteiligungsgesellschaft (40), Klassik Radio, Radio Hamburg (25), Hamburg; Radio NRW (15), Düsseldorf; RTLplus Deutschland (38.9), Hanover/Cologne/Munich; RTLplus (38.98), Luxembourg; stern-tv, Berlin; Ufa Filmproduktion, Berlin; Ufa Film- und Fernseh-GmbH, Hamburg; Universum Fernseh GmbH Werner Mietzner, Berlin; Universum Film Werner Mietzner, Berlin; Westdeutsche Universum Film, Cologne.

Storage Media: Sonopress, Gütersloh, Mexico, Italy, Brazil, USA; Telemedia, Gütersloh; topac, Gütersloh; Innomedia Gesellschaft für Lern- uknd Informationssystems, Wiesbaden (50).

Gruner + Jahr:

Germany: Druck- und Verlagshaus Gruner+Jahr, Hamburg (74.9); Berliner Presse Vertrieb, Berlin (74.9); BSG Buch-Service, Berlin (74.9); Deutscher Presse Vertrieb Buch-Hansa, Hamburg (74.9); Ehrlich & Sohn, Lübeck (74.9); Hamburger Journalistenschule G+J-Die Zeit, Hamburg (71.2); Inland Presse Vertrieb, Hamburg (74.9).

Domestic Investments: Manager Magazin Verlagsgesellschaft, Hamburg (24.9); MC Verlagsgesellschaft, Munich (50); Morgenpost Druck- und Verlagsanstalt, Hamburg (90); SPIEGEL-Verlag Rudolf Augstein, Hamburg (24.75); Vereinigte Motor-Verlage, Stuttgart (15).

Abroad: Brown Printing Co., USA (74.9); Gruner+Jahr Printing and Publishing, New York (74.9); G+J Espana, Spain (74.9); G+J Images, New York (38.2); Gruner+Jahr Italia, Italy (74.9); G+J Switzerland (74.9); G+H UK (74.9); G+J Verlagsgesellschaft, Austria (74.9); Prisma Presse, France (74.9).

BIBLIOGRAPHY

"A Survey of the Advertising Industry." *The Economist*, 9 Jun. 1990, pp. 3-18.

"A Survey of the Entertainment Industry." *The Economist*, 23 Dec. 1989, pp. 3-18.

Bagdikian, Ben H. *The Media Monopoly*, 3d Ed. Boston: Beacon Press, 1990.

Bagdikian, Ben H. "Cornering Hearts and Minds: The Lords of the Global Village," *The Nation*, 12 Jun. 1989, pp. 805-820.

Bagdikian, Ben H. "The U.S. Media: Supermarket or Assembly Line?" *Journal of Communication*, Summer, 1985, pp. 97-109.

Becker Jörg. "Der Bertelsmann-Konzern," In Dieter Prokop, Ed., *Medienforschung: Konzerne Macher -- Kontroleure.* Frankfurt am Main: Fischer, 1985, pp. 48-82.

"Bei Bertelsmann stieg Gewinn stärker als Umsatz." *DPA Informationen*, Vol. 37, 13 Sept. 1990, pp. 17-18.

Bertelsmann Annual Report 1988-89. Gütersloh: Bertelsmann AG, 1990.

Bertelsmann-Chronic. Gütersloh: Bertelsmann AG, 1990.

Bertelsmann in den USA: eine Chronologie. Gütersloh: Bertelsmann AG, 1990.

Bertelsmann USA. New York: Bertelsmann, Inc., 1988.

Budd, Mike, Robert M. Entman and Clay Steinman. "The Affirmative Character of U.S. Cultural Studies." *Critical Studies in Mass Communication*, 7:169-184 (1990).

Cawelti, John G. "With the Benefit of Hindsight: Popular Culture Criticism." *Critical Studies in Mass Communication*, 2:363-379 (1985).

Compaine, Benjamin M. "The Expanding Base of Media Competition." *Journal of Communication*, Summer, 1985, pp. 81-96.

"Der Bertelsmann-Konzern." *Media Perspektiven*, No. 12 (1988), pp. 761-762.

"Der Bertelsmann-Konzern." *Media Perspektiven*, No. 12 (1987), pp. 748-750.

"Die Bertelsmann AG." *Media Perspektiven*, No. 8 (1989), pp. 490-491.

"Die Bertelsmann AG." *Media Perspektiven*, No. 12 (1989), pp. 742-743.

"The 300 grössten Medienkonzerne der Welt." *Neue Medien*, No. 2 (1989), pp. 24-30.

Feinberg, Andrew. "Global Media." *Adweek*, 11 Sept. 1989, pp. 207-208.

Fierman, Jaclyn. "The Selling of America." *Fortune*, 23 May 1988, pp. 54-64.

Glouchevitch, Philip. "Mohn Familiy." *Forbes*, 23 Jul. 1990, pp. 234.

Gomery, Douglas. "Media Economics: Terms of Analysis." *Critical Studies in Mass Communication*, 6:43-60 (1989).

Hirsch, Paul M. "U.S. Cultural Productions: The Impact of Ownership." *Journal of Communication*, Summer, 1985, pp. 110-121.

Jakobs, Hans-Jürgen, and Uwe Müller. "Reinhard Mohn: Der Bertelsmann." In *Augstein, Springer & Co.; Deutsche Mediendynastien*. Zürich and Wiesbaden: Orell Fuessli, 1990, pp. 287-326.

"Janus of the Turntable." *The Economist*, 11 Aug. 1990, pp. 65-66.

"Kaufst Du Mich, Nehm' Ich Dich." *Neue Medien*, No. 2 (1989), pp. 41-45.

Lindemann, Christoph. "The Remaking of a Macher." *International Management*, Nov. 1987, pp. 36-43.

Manasian, David. "Bertelsmann's Stairway to Stardom." *International Management*, Nov. 1987, pp. 36-43.

"Meet the New Media Monsters." *The Economist*, 11 Mar. 1989, pp. 65-66.

Morais, Richard C. "The Latest U.S. Media Giant Isn't Even American." *Forbes*, 25 Apr. 1988, pp. 70-72.

Morais, Richard C. "The Long Ascent from Stunde Null." *Forbes*, 23 Jul. 1990, pp. 122-123.

"Murdoch's Kingdom." *The Economist*, 18 Aug. 1990, pp. 61-63.

"Parish Magazines for the New Europe." *The Economist*, 16 Jul. 1988, pp. 65-66.

Pluenneke, John E. "Bertelsmann's U.S. Invasion May Be Just Beginning." *Business Week*, 10 Aug. 1987, pp. 72-73.

Power, Christopher. "Playing Marriage Counselor to Doubleday and Bantam." *Business Week*, 10 Aug. 1987, p. 73.

"Publishers and Predators." *The Economist*, 17 Sep. 1988, p. 79.

Reilly, Patrick. "A Gold Rush for U.S. Titles." *Advertising Age*, 18 Apr. 1988, p. 1.

Rossant, John, and Richard A. Melcher. "The Media Barons Battle to Dominate Europe." *Business Week*, 25 May 1987, pp. 158-162.

"The Media Company That Makes Murdoch's Empire Look Small." *The Economist*, 9 Apr. 1988, pp. 63-64.

1989 U.S. Industrial Outlook; Prospects for Over 350 Industries. Washington, DC: U.S. Department of Commerce, 1989.

Zakon, Alan J. "Globalization Is More Than Imports and Exports." *Management Review*, July 1988, pp. 56-57.

MONOPOLY VS. EFFICIENCY VS. DIVERSITY: MARKET STRUCTURE ANALYSIS OF BASIC CABLE INDUSTRY

Kak Yoon
Doctoral Student
Mass Media Ph.D. Program
Michigan State University
East Lansing, MI 48824-1212

(517) 355-2314

Submitted in March, 1991, to the Media Management and Economics Division, AEJMC.

ABSTRACT

Recently there has been a charge that the multiple system operators (MSOs) have actively been engaged in anticompetitive conduct as evidenced by merging not only among themselves (horizontal integration) but also with the program suppliers, or cable networks (vertical integration). This paper empirically analyzed the implications of the vertical integration trend in the basic cable television industry. The focus of the study is to investigate the role of MSO involvement with the program suppliers and the suppliers' success. More specifically, the paper examines whether the MSOs' involvement with the basic cable networks could determine the networks' success. It is found that vertical integration between MSOs and basic cable networks is the most significant factor in the success of the networks. Also, this study shows that a program niche, or the uniqueness of programming is an important factor that contributes to the network's success.

Introduction

In the early days of cable television, the Federal Communication Commission refused to take jurisdiction on the grounds that its power to do so was in question and that it did not feel the impact of cable television at the time was sufficient enough to invoke discretionary jurisdiction.[1] In 1962, however, the FCC adopted an initioal regulatory scheme for cable television. Using the regulation of microwave under its jurisdiction the Commission took over regulatory responsibility for cable systems which utilized microwave to import distant signals and required all systems to carry any local stations in addition to distant signals.[2] Soon this federal regulation was expanded to cover all the cable systems and this regulatory scheme was subsequently upheld on review in a 1968 Supreme Court decision.[3] The final product of the ten years of regulatory period ranging from 1962 to 1972 was a set of rules knwon as the "definitive" FCC rules on cable issued in February 1972.[4]

The subsequent years were characterized by a series of deregulatory mevements. The FCC, in a series of decisions, loosened controls on cable by easing distant signal importation rules, ending formal franchise considerations (leaving this almost totally to local and state authorities) and gererally delaying imposition of rules on older systems.[5] Then there came the deregulation of the cable industry with the Cable Communication Policy Act of 1984. Now the franchising authority restes completely with state and local authorities. They cannot, however, regulate cable as a common carrier, nor can they require specific video programming service. Specific guidelines for franchise renewal were set out by the FCC, giving extensive protection to the incumbent franchisees.[6]

Cable continued to grow through all these regulatory threats and reliefs. Cable television's market penetration increased from a mere 2.4% in 1965 to 7.6% in 1970, 14.4% in 1975, and 27.3% in 1981.[7] According to Nielsen, cable television reached over half the nation's television households in 1988.[8] Coupled with the advantageous deregulation scheme embraced in the Cable Policy Act of 1984 and recent court victories in "must carry" and other areas, the cable industry seems to have entered a new period of prosperity and maturity.[9]

As the cable industry has grown so has criticism about the cable industry. Criticism especially centers around the multiple system operators' anticompetitive conduct through the horizontal and vertical mergers. This paper empirically examines the current issues and criticisms of the cable industry.

The Powerful MSOs

Every cable system needs a license to operate. This comes in the form of a franchise from the local political entity. The franchise is essentially a legal permission to do business in a given political area. It includes access to city or town streets and other utilities during construction, and the rules by which the system must operate when serving the public such as services to be provided, rates charged, amount of return to government for costs of administration of the franchise, complaint procedures and the duration of the franchise which is usually about 15 years.[10] Thus, for the fifteen years a cable operator has de facto exclusive right to operate in the market.

Although granting the monopolistic power to the cable companies locally is controvercial, it is justifiable by regarding a cable system as a utility such as water and electricity.[11] That is, of a multiple franchising policy is adopted, the public may not get the benefits due to the inefficient overbuilding of cable systems and the resulting waste of resources. Nevertheless, when a cable system which enjoys the de facto monopolistic power engages itself in anticompetitive practives, thus depriving the public of its opportunity to enjoy diverse programming, the justification of monopoly is weakened. Also, the history of the entertainment industry has taught us that a highly concentrated industry tends to behave in an anticompetitive manner, thereby decreasing the public interests. We can gain useful insight from the series of monopolization attempts made in the film industy when it was highly concentrated early in the centry.[12] A moot question is: "Is the cable industy's concentration high enough to concern us?"

One measure of the degree of concentration in an industry is calculating the percentage of market share of the top four (CR4) or eight firms (CR8). Table 1 in the appendix shows the development of MSO expansion and reveals a trend to greater consolidation from

1969 to 1988. MSO concentration ratio in terms of subscriber numbers has increased from CR4 of 16.[illegible]% in 1969 to 27.3% in 1981.[13] Even though CR4 remained at about the same level in 1988 (27.6%) since 1981,[14] we should pay attention to the fact that cable penetration and number of subscribers has doubled between 1981 and 1988.[15] From this data we can infer that, to maintain the concentration ratio in a fast growing cable industry, the biggest MSOs have been aggressively engaged either in building new systems or in merger activities. Moreover, if we consider the fact that in many cases the biggest MSOs also have a substantial portion of ownership of smaller MSOs, the CR4 will increase even higher.[16] For example, Telecommunications Inc., the biggest MSO, holds 65.5% of United Artists Communications Inc. and 23.7% of United Cable.[17]

In any event, the current concentration ratios of the top 4 and top 8 MSOs are 27.6% and 39.4%, respectively, and these figures are far lower than CR4 35 or CR8 50 that are considered to be high concentration ratios. Thus, it appears at least on the surface that the national cable system market still has an unconcentrated and competitive structure. In fact the FCC did consider the issue of multiple system ownership in 1970 and 1982, but the Commission concluded that the industry concentration levels were not then high enough to raise any serious concerns. Accordingly, the Commission terminated the proceedings without making any rules regarding cable television multiple ownership.[18] Maybe because of the absence of multiple ownership restrictions, we have witnessed a continuous trend of merger events among large MSOs during the latter half of 1980s.[19]

Recently, however, various parties have expressed concerns about the increasing sizes and importance of multiple system operators (MSO) as a result of aggressive horizontal mergers among MSOs. Satcom Inc., a Montana cable operator, with the support of Motion Picture Association of America (MPAA) and others had requested the FCC to initiate a rule-making that would impose multiple ownership restrictions on cable companies in 1986.[20] It claimed that the cable industry had become much more concentrated and that there was an immediate need for both national and regional limitations on the audience reach of cable systems controlled by a single entity. It suggested that no entity should be allowed to own, operate, or control multiple cable systems that serve more than 50 percent of the cable subscribers in any one state, or more than 25 percent of the nation's cable subscribers. In a filing submitted to the FCC endorsing ownership restraints on cable operators, the MPAA argued that because five cable companies now serve 37.2% of the nation's cable subscribers, the cable industry could become dangerously concentrated.[21] The FCC received varied responses regarding the proposal, however, and the rulemaking was once again safely thwarted for the cable industry.

The lack of regulatory scheme on cable's multiple ownership on the part of the FCC, however, does not preclude antitrust proceedings by the Antitrust Division of the Justice Department should the conditions warrant it. Even though the biggest MSOs are enjoying fairly big market share and are still vigorously pursuing new acquisitions, it seems that the current CR4 of 27.6% is not the level that would concern the antitrust authority at this moment. Rather, another activity of the large MSOs that might in the future subject them to antitrust charge is the vertical integration between the MSOs and program suppliers. The following section will discuss the vertical integration aspect in the cable industry.

Program Suppliers and MSOs

Discussion of market structure of the cable industry is not complete without considering program suppliers, or cable networks. There are two different types of programming services. The first is "basic services," which are offered in bundles to subscribers, and which garner revenues from system operators on per subscriber basis. Another source of revenue for these basic cable networks is advertising. The second type of service is called "premium channels," and their revenue comes solely from subscription fee. In both cases, therefore, having many subscribers is the most important thing for financial success. In this paper, discussion of program suppliers will be limited to basic cable networks only.

Since Ted Turner first launched WTBS in 1975, thus opening an era of satellite-delivered programming to fill cable's expanding number of channels, the number of basic satellite services exploded to 19 in 1981 from only 3 in 1977.[22] Since then the number of basic programming service skyrocketed to 56 in November 1988 and 15 more services were announced to be introduced by the end of 1989.[23]

As can be seen in tables 2 and 3, the channel capacity of cable systems has increased over the years, but the number of available basic and pay programming services have been increasing more rapidly, thus making this basic service market highly competitive. When we add regional programming services and others, access to cable systems become even more difficult for basic services. Naturally, for a basic service to survive it would take a certain level of access to cable systems. Then the fact that market power of big MSOs is increasingly being concentrated means that the fate of basic programming networks can be decided by the powerful MSOs. Therefore, vertical linking (through vertical integration or through exclusive contract) between the MSOs and cable networks can be used as a powerful tool to thwart entry of new cable networks, thus forming a strong anticompetitive force in this market.

Vertical integration between program supply service and system operation is quite common in the cable industry. Almost every major cable network has an ownership affiliation with one or more of the cable operating companies. For example 31.4% ownership of the WTBS is held jointly by the American Television & Communications Corp., Tele-communications Inc., United Artists Cable systems and United Cable.[24] A recent example of this vertical integration trend was revealed when six major MSOs joined with HBO and Warner Communications to take a combined 80% stake in the Movietime.[25]

The reason for concern with vertical integration boils down to a matter of access. Such combinations may, in certain circumstances, have the effect of increasing barriers to entry in either the supplier's (programmers) or purchaser's (cable systems) market or foreclosing competitors of one firm from access to the market in which its partner operates.[26] In fact, in the above mentioned filing to the FCC, the MPAA also argued that MSOs should be restrained from investing in the creation of new programming service due to the discriminatory power that the MSOs would have to favor their own cable systems.[27] A further argument is that this vertical integration in the cable industry may result in limited programming diversity for the cable subscribers.

Criticism of the Cable Industry

Cable recently became a target of attack on several fronts as congress and others have started to take a hard look at the growing vertical integration of cable operators and programmers which, according to potential competitors such as wireless cable and home satellite, is stifling their development. They complain that in today's cable industry, the major cable operators have become bully boys, pressuring cable programmers to keep their service away from wireless cable operators and independent distributors of programming to backyard earth stations.[28] The MSOs can exert such pressure because of their influence as large customers and, in some cases, because of their ownership interests. Indeed, coercive practices of the powerful MSOs were well revealed in their dealing with the appearance of backyard satellite dishes. The entire group of MSOs utilized their market power to pressure program networks to speed up their scrambling plans as a condition for continuing to be carried on TCI, ATC, and others and thereby deflect the potential competitive threat posed by the backyard dishes.[29] Due to the discriminatory high price of programming along with the ensuing cost of descrambling, it is apparent that the new competitors of MSOs are losing the competitive edge.

Competitors' complaints about the anticompetitive practices of the cable industry resulted in an increased voice to regulate the industry among the federal authorities. Senator Metzenbaum, chairman of the Senate Antitrust Subcommittee, has convened a hearing to explore the issue of growing anticompetitive behavior on the part of the cable industry toward broadcasters and some of the newer technologies.[30] Also the Commerce Department's National Telecommunications and Information Administration (NTIA), in a recent report, recommended that the regulatory framework within which the cable operates needs reshaping.[31] NTIA feels that entry barriers to competition within franchise areas are too high, and that the growing concentration of ownership of cable operators is a matter of concern. It recommends an array of ways to boost competition in the cable industry. Those recommendations even include allowing telephone companies to do cable business which has long been excluded from the business by regulations.

Nor is concern confined to the federal level. The National Association of Attorneys General-an organization of the states' attorneys general-is also involved. The group's antitrust committee has established a working group to check into allegations that cable programmers refuse to deal with wireless cable operators to maintain their present relationship with cable systems. The group is also interested in whether cable systems use their positions as programmers to exclude competition.[32]

Of course the cable industry is taking all these charges very seriously to defend itself. For example, in response to the pressure from the MPAA, the cable industry argues that vertical integration is simply necessary for the cable industry to survive. In a white paper published to refute the MPAA's charges that the cable industry is becoming too concentrated and it is being vertically integrated, the NCTA argues:

> ...And with more than fifty cable services vying for viewers, programming for cable is indeed a scarce commodity. If the cable industry is ever to fulfill its potential as a medium of abundance and diversity, it must have a strong supply of programming. If Hollywood continues to control that supply, cable's prospects for achieving its potential will be dimmed and the public interest injured.[33]

Purpose of the Study

In spite of all these arguments and counterarguments about MSOs and their integration into the program supply service, virtually no study has empirically investigated the influence that MSOs allegedly have on the program suppliers. Accordingly, the purpose of this paper is to analyze the implications of the vertical integration in the cable industry by employing empirical data. This analysis will provide some insight for future direction of public policy regarding the cable industry.

The general research question to be pursued is: Is the success of a basic satellite network the result of its vertical integration with MSOs? In other words, to what degree is it important for a Programming network to be linked with MSOs to succeed in the market?

Methodology

Operational definitions of variables: To investigate the research question seven variables are used. Five of them are independent variables that account for the success of a cable network service. Success of a cable network, the dependent variable, is measured by number of subscribers and number of affiliates. The list of these variables and how they are operationalized are explained below.

X1 = Age of Network. It is operationalized as number of months from the beginning of the service to May 1989.

X2 = Percentage of ownership of a cable network collectively held by MSOs.

X3 = Number of MSOs holding ownership of a cable network.

X4 = Programing hours per day.

X5 = Binary variable for a network's uniqueness or not. This variable is employed to explore the importance of program contents for success or failure of a cable network. If a networks program format or content was "new" it is treated as a unique format. For example, CNN is unique, but CNN Headline is not unique because it is basically a "copycat" of CNN.

Y1 = Number of subscribers receiving the cable network.

Y2 = Number of affiliates receiving the cable network.

Sampling: As of November 1988 there were 56 basic cable networks in the market. Only advertising-supported and/or subscriber fee supported networks are included for analysis in the study. The information for all the variables are obtained from the 1988 version of Television and Cable Factbook. Networks for which all the above variables were available are used. Finally 37 networks are selected for analysis.

Hypotheses: To investigate the research question, five hypotheses are derived. Pearson's Product Moment Correlation and multiple regression[34] are employed to test the following hypotheses.

H1: The percentage of a network's ownership held by the MSOs is positively related to the network's success.

H2: The number of MSOs holding ownership of a network is positively related to the network's success.

H3: The age of a network is related positively to the network's success.

H4: Networks that have longer programing hours per day are more likely to be successful than those with shorter programming hours.

H5: Networks with unique program content are more likely to be successful than those with no unique programming.

Results of Correlation

Correlation coefficients among the variables along with significance levels are presented in Table 4. The correlation between percent of ownership of a cable network held by MSOs and number of subscribers was .4198 at a significance level of .005, thus supporting hypothesis 1. Hypothesis 2 as also supported. The correlation between number of MSOs holding ownership of a cable network and number of subscribers is significant (P=.038) and positive (.296). The third hypothesis was also supported. Age of a cable network was positively related to the network's success. The correlation coefficient was .4473. This was significant at .003. A statistically significant correlation was not found between programming hours per day and either number of subscribers or number of affiliates. Thus there was no support for hypothesis 4. However, the relationship between programing hour and the network's success was positive. Also the dependent variables, number of subscribers, and number of affiliates were highly correlated (r=.8168; P=.001). This suggests that both variables were measuring the same concept and therefore we may be able to use either one to measure the success of a cable network. Note that the two independent variables, percent of ownership held by MSOs, and number of MSOs holding ownership of a cable network were highly correlated (r=.4428, P=.003), suggesting that they are measuring a similar concept, namely MSOs' involvement with cable networks.

From the correlation analysis we can infer that older networks tend to have longer programing hours per day. Older networks also appear to have more affiliates even though they do not necessarily have more subscribers. The percentage of ownership of a network held by MSOs turned out to be fairly highly correlated to the number of subscribers. Also, the number of MSOs holding ownership of a network was moderately related to the number of subscribers.

An interesting result was found in the relation between the age of network and percent of ownership by MSOs, and the age of network and the number of MSOs holding ownership of a cable network. The correlation coefficients were all negative. This suggests that newer networks are more likely to be owned by MSOs. Though none of the coefficients were statistically significant, they give us insight into the trend that MSOs are participating in forming new cable networks as charged by competitors such as the motion picture industry and wireless cable operators.

RESULTS OF REGRESSION

While the simple zero-order correlations provide some useful information, a more sophisticated multivariate analytic approach is more helpful to better understand how the independent variables fit together to collectively explain the variance of the dependent variables.[35] The results of the regression analysis is presented in table 5. Due to space limitation, only the number of subscribers is used as the dependent variable. Even though the number of subscribers and the number of affiliates are measuring a very similar concept as evidenced by a high correlation coefficient above, the number of subscribers is chosen because it is ultimately what determines one dimension of financial success of a network along with advertising revenues.

In order to examine individual independent variable's contribution to the dependent variable, the stepwise regression method was employed. As presented in table 5, the percentage of ownership of a network held by MSOs and program uniqueness turned out to be statistically significant variables for a cable network's success ($P<.05$). The two independent variables together explained 30% of the variance of the dependent variable. MSOs' ownership interest, as expected, turned out to be the most important variable since by itself it explained 17.6% of a cable network's success.

Interestingly, and contrary to what was found in the correlation analysis, the number of MSOs holding ownership of a cable network is found to be an insignificant variable for a cable network's success. The overall goodness of fit of the regression model was significant ($F=7.48776$; $P=.0097$).

In sum, the age of network, percent of ownership of a cable network held by MSOs, and the number of MSOs holding ownership were found to be positively and significantly correlated with the network's success. Hypotheses 1 and 5 were supported by both the correlation and regression analyses. That is, percentage of ownership of a cable network held by MSOs and unique program content were the most important factors that determined the network's success or failure.

Discussion

This study found that vertical integration between MSOs and basic cable networks is the most significant factor that determine success of the networks. Also, this study shows that a program's niche is an important factor that contributes to a network's success.

For the purpose of market structure analysis and future direction of public policy in this area, we should pay attention to the fact that the percentage of ownership held by MSOs is inversely related to the age of the network. It can be interpreted as evidence that recently more and more MSOs are participating in the vertical integration activity with program suppliers. If this trend continues in the cable industry, it is expected that the barrier to entry for new basic networks will be very high without vertical ties with MSOs. As discussed earlier, the MSOs have engaged in anticompetitive practices such as coercing program suppliers not to distribute programs to cable's competitors. It is not difficult to imagine that they can exert such power sometimes as a big customer for the program suppliers and sometimes using their partial ownership interest. As a result, it appears that the development of new competitors for the cable is seriously hampered, thus decreasing the opportunity of the public to enjoy variety of information and entertainment.

Then, there is probably a need for certain agency control over the multiple ownership of cable systems which seems to be the propelling power of vertical integration. Since the issue involves multiple system ownership and anticompetitive practices using vertically integrated power of the MSOs, the proper government agencies that have proper jurisdiction over the issue are Antitrust Division of the Commerce Department and the Federal Communication Commission. The two agencies should cooperate closely to promote diversity in the whole video industry to serve the public interest. Even though the concentration level of the top 4 MSOs have remained at about the same level since 1982, we should still consider the need for control since it is found that MSOs can exert power over program suppliers directly and indirectly to stifle their competitors. This is an especially important issue when considering the fact that the cable industry's competitors are all in their developmental stage. Nevertheless, a general rulemaking that limits consolidations among MSOs, and vertical integration between MSOs and cable networks may be too drastic a measure at this stage.

The proper public policy is for the antitrust division to constantly monitor the market conduct of MSOs, analyzing the impact of the vertical integration aspect of the cable industry on the development of new video technologies such as backyard satellite and wireless cable. The antitrust authorities should make every effort to ensure that MSOs do not exert undue influence on the cable networks to deflect competitors' market challenge. In the meantime, the FCC also should constantly monitor MSOs' market conduct to determine the need for a rulemaking that limits multiple system ownership. However, if the FCC adopted a rulemaking that allows telephone companies in the cable industry immediately, as recommended by the NTIA, the cable market would soon be dominated by the telephone companies with enormous resources, driving not only the MSOs but also their competitors such as wireless cable and backyard satellite earth stations out of the cable industry. The telephone companies may want to start the cable business most probably by buying up the existing cable systems. In that case monopoly in the cable industry will be even more strengthened and it is doubtful if the public will enjoy a greater variety of program options. Therefore, it seems prudent that the FCC maintain current rules of cable multiple system ownership. However, the Antitrust authorities should pay more attention to the ongoing trend in the cable industry. The best public policy would be one that increases diversity of information and entertainment without sacrificing efficiency factors.

TABLE 1

MSO CONCENTRATION RATIOS, 1969-1989

(Cumulative % of Cable Subscribers)

YEAR	CR4	CR8	CR25	CR50
1969	16.3	26.7	47.9	61.1
1971	21.7	31.6	53.7	67.3
1973	27.2	40.3	61.7	73.4
1975	26.4	38.1	58.5	69.8
1977	23.1	34.2	54.1	66.7
1979	24.0	36.5	58.4	71.5
1981	27.3	40.9	68.9	77.8
1988	27.6	39.4	68.0	83.6

Sources: Benjamin Campaign Who Owns the Media?, Revised Edition, 1983, p.395; Cablevision, September 26, 1988.

TABLE 2

CABLE SYSTEM CHANNEL CAPACITY, 1975,1979,1983,1986 and 1988

CAPACITY\YEAR	1975	1979	1983	1986	1988
54 & over			3.18	7.08	7.45
30 - 53			25.08	39.86	43.52
20 - 29	11%	27%	17.70	16.58	16.34
13 - 19	10%	2	4.58	4.35	3.99
6 - 12	71	67	39.93	22.92	17.19
5 only	7*	4	1.25	0.63	0.392
Sub - 5			0.20	0.15	0.095
NA	1	-	8.08	8.43	11.03
Number of Systems	3405	4180	5748	7546	8413

Sources: Television and Cable Factbook for 1976, 1980, 1983, 1986 and 1988.

* Before 1981, the categories were different. "Under 6 channels," and "over 20 channels" were employed.

TABLE 3

NUMBER OF CABLE NETWORKS

	1983	1986	1988
Basic	32	47	56
Pay	10	10	8
Total	42	57	64*

Sources: Cablevision December 5, 1983, December 15, 1986, November 7, 1988.

TABLE 4: Correlation Matrix

Correlations:	X1	X2	X3	X4	Y1	Y2
X1	1.0000					
	P= .					
X2	-.1995	1.0000				
	P= .118	P= .				
X3	-.1819	.4428	1.0000			
	P= .141	P= .003	P= .			
X4	.3088	.1783	.1985	1.0000		
	P= .031	P= .146	P= .119	P= .		
Y1	.2363	.4198	.2960	.1509	1.0000	
	P= .080	P= .005	P= .038	P= .186	P= .	
Y2	.4473	.0991	.1738	.2024	.8168	1.0000
	P= .003	P= .280	P= .152	P= .115	P= .000	P= .

(Coefficient / 1-tailed Significance)

X1 = Age of Network.
X2 = Percent of ownership of a cable network collectively held by MSOs.
X3 = Number of MSOs holding ownership of a cable network.
X4 = Programing hour per day.
Y1 = Number of subscribers receiving the cable network.
Y2 = Number of affiliates receiving the cable network.

TABLE 5: Results of Multiple Regression Analysis

Dependent Variable: Y1 (Number of subscribers)

Variable Entered on Step 1: X2 (Percent of ownership held by MSOs)

Multiple R .42
R Square .18
F = 7.48776 Signif F = .0097

Variable Entered on Step 2: D1 (uniqueness)

Multiple R .55
R Square .30 R Square Change .12471
F = 7.31847 Signif F = .0023

Endnotes

1. Frontier Broadcasting Co. v. Collier, 24 F.C.C. 251 (1958).

2. Christopher H. Sterling, "Cable and Pay Television," ed. Benjamin Campaigne, Who owns the Media?, Knowledge Industry, 1982, 383.

3. U.S. v. Southwestern Cable, 392 US 159 (1968).

4. 36 FCC 2d 143 (1972).

5. Sterling, 380.

6. Harvey L. Zuckman, Martin J. Gaynes, T. Barton Carter, & Juliet Lushbough Dee, Mass Communication Law, St Paul, Minn: West Publishing Co., 1988, 485-486.

7. Sterling, 375.

8. Cablevision, August 29, 1988, 72.

9. Sylvia Chan-Olmsted & Barry Litman, "Antitrust and Horizontal Mergers in the Cable Industry," Journal of Media Economics, Fall 1988, 3.

10. Sterling, 1982, 383.

11. Some scholars suggested that a multiple franchising system might produce some benefits. See Bruce Owen & Peter R. Greengalgh, "Competitive Consideration in CATV Franchising," Contemporary Policy Issues, April 1986, 69-79.

12. See Barry Litman & Susanna Eun, "The emerging oligopoly of pay TV in the USA," Telecommunications Policy, June 1981, 121-135.

13. Sterling, 395.

14. Compiled from Cablevision, September 26, 1988.

15. Sterling, 375, and Cable vision, July 4, 1988, 57.

16. "United Cable merger with UACI to create third largest cable MSO," Broadcasting, March 14, 1988, 32.

17. Ibid.

18. See Notice of Proposed Rulemaking And Inquiry, Docket No.18891, 23 FCC 2d 833 (1970) and CATV Multiple Ownership, Docket No.18891, 91 FCC 2d 46 (1982).

19. See Chan-Olmsted & Litman for a brief history of recent mergers among large MSOs.

20. Satcom, Inc., "Petition for Rulemaking," (Washington, D.C.: Satcom, 1986).

21. MPAA, Further Comments in Support of Rulemaking, RM-5475 July 21, 1986, quoted in "White Paper: The Compulsory Cartel," National Cable Television Association, November 1986.

22. Sterling, 416.

23. Cablevision, November 7, 1988.

24. See "A Walk on the Acquisition Side with TCI," Broadcasting, August 4, 1986, 70-71.

25. "MSOs buy major stake in Movietime," Broadcasting, March 14, 1988, 57.

26. Sterling, 433.

27. White Paper: "The Compulsory Cartel," National Cable Television Association, November 1986, 2.

28. See "Cable has its work cut out for it," Broadcasting, March 28, 1988, 31-32.

29. Chan-Olmsted & Litman, 10-11.

30. U.S. Senate Committee on the Judiciary, Subcommittee on Antitrust, "Competitive Issues in the Cable Television Industry": hearings, March 17, 1988 (Washington, D.C.: GPO, 1988).

31. "NTIA opens Pandora's box for change in cable-beginning with telco entry," Broadcasting, June 20, 1988, 37.

32. "A lingering hint of antitrust interest," Broadcasting, May 9, 1988, 59.

33. White Paper: "The Compulsory Cartel," National Cable Television Association, November 1986, 24.

34. Herbert M. Blalock, Jr., Social Statistics, 2nd edition, McGraw-Hill Book Company, 1979.

35. Blalock, 415-545.

THE USE OF COERCIVE CONDUCT BY NEWSPAPERS TO ENHANCE THEIR COMPETITIVE POSITION AGAINST SHARED MAIL

MEDIA MANAGEMENT AND ECONOMICS DIVISION
Association for Education in Journalism and Mass Communication
Presented at the 74th Annual Convention, August 7-10, 1991

Ken Smith
Department of Communication and Mass Media
University of Wyoming

This project was supported by a grant
from the Marriner S. Eccles Fellowship program

THE USE OF COERCIVE CONDUCT BY NEWSPAPERS TO ENHANCE THEIR COMPETITIVE POSITION AGAINST SHARED MAIL

Whenever one firm enjoys regulatory advantages over competitors, that firm gains a competitive edge in the market. Often, those advantages are not the result of mere happenstance. Rather, they might be the result of coercive conduct by firms seeking an advantage. Economists have long recognized the potential impact of coercive conduct on the structure of a market. Richard Caves describes that impact by saying coercive conduct may reflect the conscious aim of firms to change their environment, as when one firm seeks to increase concentration in the market by driving some of its rivals out of business. That coercive conduct can "worsen the structural position of some business rivals," (1). Coercive conduct can be achieved through government regulation. As Caves suggests, regulation may come about, ". . . . because an industry's members recognize that regulation can be used to exclude new rivals and stifle competition among themselves," (2). This paper examines coercion by newspapers, and whether or not they use it in an attempt to stifle competitors.

Newspapers may have gained a regulatory advantage over competitors in the recent postal rate increases which were implemented on Feb. 4, 1991 (3). Those new postal rates increased the cost of second-class postage used by most newspapers anywhere from 3-9 percent (4). The rates for other types of second-class mail increased 22 percent while rates for third-class mail increased 25 percent. The National Newspaper Association called the 3-9 percent increases a victory for community newspapers (5). While postal increases are not normally considered a victory, the new rates gave the NNA a couple of reasons to celebrate. Not only were the rate increases for newspapers lower than for other types of mail, but a competitor was included among those other types of mailers suffering the steepest increases.

That competitor was shared mail (often referred to as direct mail or marriage mail). Evidence from past postal rate increases suggests newspapers may employ coercive conduct to gain a regulatory advantage, especially where shared mail is concerned. Shared mail is a relatively new competitor in the market for print advertising (6). The industry originated in 1978 as a result of a series of changes in postal regulations. In the 1970s, Congress wanted to set the Post Office on the road to self-sufficiency. As a result, the Post Office established special third-class bulk mailing rates which allowed companies to combine the advertising preprints from several retail firms (such as K-Mart, Sears, J.C. Penneys and/or local supermarkets) and mail them as a single package. The Post Office believed the new third-class regulations offered a substantial source of new revenue at a time it was operating at a loss. According to Conrad Fink, those changes in third-class regulations made shared mail a viable alternative to newspapers for delivering preprints (7).

The concept of shared mail proved so successful that by 1987, Advo-System, Inc., the largest firm in the shared mail industry, was distributing 14 billion preprints, one-fifth the number carried by U.S. daily newspapers (8). Advo accounted for $500 million in sales that year (9), and much of that growth came at the expense of the newspaper industry.

While shared mail enjoyed rapid growth, it was also placed in a situation where it was especially vulnerable to coercive conduct in the form of federal regulation. Initially, shared mail entered the market because it was able to overcome a barrier to entry by securing a change in postal regulations. Previously, the barrier to shared mail was a cost-effective delivery system. Newspapers had cost-effective delivery systems already in place either in the form of their own carrier routes or mail delivery. Mail delivery was cost effective for many newspapers because they received special subsidized second-class rates. Advertising mail does not qualify for those special rates, and the higher rates charged for third-class mail delivery proved to be a formidable barrier to the effective development of the industry.

According to John Valentine, former president of Advo, those high postal rates made competing with newspapers for preprint advertising almost impossible (10). When the Post Office modified those regulations in 1978, the lower third-class rates helped remove that barrier to entry and facilitated shared mail's entry into the preprint advertising market. Yet, for that very reason, shared mail remained susceptible to coercive conduct because further modification of those same third-class postal regulations could reconstruct that barrier. A hike in postal rates or changes in third-class postal policy could prove detrimental to shared mail's position in the market.

Shared mail was also susceptible to coercion because it faced a disadvantage when influencing government decisions regarding regulation. As Caves suggests, regulation can be used to resolve political conflict (11). With regard to postal regulations, the government has more incentive to keep the newspapers owners and publishers happy because, as Caves suggests, public enterprises (such as the Post Office) may practice regulatory discrimination if their political support is affected by relations with various groups of customers (12). Shared mail may have provided a source of revenue to the Post Office, but it does not publish potentially threatening news and commentary as do newspapers. As the old saying goes, "Don't pick a fight with someone who buys ink by the barrel." Elected officials, worried about their public images and the editorial power of newspapers, would probably side with newspapers in resolving any political dispute.

The shared mail industry apparently recognized that political clout. In a speech to newspaper publishers, Valentine stated that, "There is no industry whose political influence has yielded a surfeit of legislated advantages that can compare with those won by newspapers. In effect, you have been successful in enlisting the government to protect your monopoly," (13).

The evidence suggests newspapers are utilizing regulation to lessen competition from shared mail, and that the effort may be proving successful. An earlier round of postal increases, which took effect April 3, 1988, raised second-class in-county rates (the type normally used by newspapers) only 3.2 percent while raising third-class rates (the type used by shared mail) anywhere from 21-34 percent. Newspaper lobbying groups received much of the credit for the discrepancy in those rate increases. Both Publishers' Auxiliary (14) and Presstime (15) say the American Newspaper Publishers Association had been pushing for higher third-class rates. Business Week also claims that newspapers had lobbied the Postal Rate Commission for higher third-class rates (16). The purported intent of that lobbying was not to give newspapers an advantage in the market, but to make third-class mailers pay their own way. Presstime reports that the ANPA claimed third-class rates were too low resulting in higher-than-necessary first-class rates. The argument was made that first-class mail was subsidizing "unsolicited third-class advertising mail," (17). While newspaper officials should have little interest in protecting first-class rates since newspapers are normally mailed under second-class rates, their real concern was with the third-class rates which govern their competitors. Any increase in third-class rates would place shared mail at a disadvantage in the market and ultimately benefit the newspaper industry.

Apparently those 1988 rate increases did work to the detriment of shared mailers. According to Presstime, Advo experienced a drop-off in its growth in certain markets as a result of the postal rate increases (18). Publishers' Auxiliary reported that Advo expected to lose $12 million in sales after K Mart pulled out of its mailing package in large part because of the hike in postal rates (19).

While those sources claim coercive conduct in the form of lobbying efforts by national newspaper organizations had been used to stifle competition in the marketplace, the purpose of this study is not to determine if coercive conduct resulted in a change in market structure. As cited previously, some claim those efforts, especially by the ANPA, did work to the advantage of the newspaper industry. The purpose of this study is to explore if individual newspapers employ the type of conduct which might ultimately have that effect, if they will employ coercive tactics in an attempt to change the market structure to their own advantage. More specifically, the purpose of this study was to determine if newspapers would attempt to gain regulatory advantages through the U.S. Postal Service which would work either to their own advantage or to the disadvantage of shared mail, hence changing the structure of the market to favor newspapers. In that sense, the purpose is more economic than political. Rather than explore any regulatory changes which newspapers may have achieved, the purpose is to determine if newspaper management would attempt to change market structure through regulation in response to new competition. The research question explored in this study is: When non-daily newspapers face competition from shared mail, will they use coercion to gain a competitive advantage?

METHODOLOGY

Personal interviews were conducted with the publishers (or representatives they designated) of all 41 non-daily newspapers in Utah. The publishers served as respondents at 37 newspapers while advertising managers served as respondents at the other four. Daily newspapers were not included as part of this study. While they operate in very similar product markets, size differences, especially in the size of the geographical markets, cause many to make a distinction between dailies and non-dailies. To accommodate that distinction, only non-dailies were included in this study. Utah provided an opportune site because a large number of the state's non-dailies have faced shared mail competition. Of the 41 newspapers surveyed, 35 (85 percent) have, at some time, faced some form of competition from shared mail.

The nature of that competition is important since more severe competition might provide more incentive for the newspaper to change the structure of the markets. For this study, Utah newspapers are divided into four categories based on the nature of their competition with shared mail. Those categories include: direct competition, former competition, indirect competition and no competition.

Direct competition newspapers are those where shared mail currently operates in the market. Former competition newspapers are those who once faced shared mail competition, but shared mail has since abandoned the market. Indirect competition newspapers are those in the situation where a shared mail package is delivered in the market every week, but the retailers in the package are all from outside the market, and no attempt is made by the shared mailer to include local retailers in the package. No competition newspapers are those in markets where shared mail has never operated.

Those distinctions reflect the increasing levels of competition intensity the respondents face from shared mail. "Intensity" of competition is used only as an ordinal ranking to provide some measure of the competitive situations described in the preceding paragraph. It is based on the supposition that the greater the presence of shared mail in the market (whether a current or former presence), the more intense the competition. Direct competition is the most intense. Former competition is the second-most intense if for no other reason than the residual effect of once having competed directly with shared mail still may have an impact on how the newspaper conducts its affairs. Many of those newspapers which formerly competed with shared mail may not want to face that competitive situation again. Indirect competition is considered the third-most intense. While those newspapers don't actively compete for advertising with shared mail, its presence in the market may be a cause for concern. No competition is considered the least intense. Of the 41 newspapers involved in this study, 22 (53 percent) face direct competition from shared mail, 11 (27 percent) face former competition, two (5 percent) face indirect competition, and six (15 percent) never competed with shared mail.

Respondents are further categorized on the basis of whether they operate a total market coverage (TMC) distribution system of their own using third-class mail. Since TMCs are normally delivered to non-subscribers, they do not qualify for the second-class mail status reserved for paid-subscription publications. As a result, many TMCs are delivered using third-class mail (the same type used by shared mail). Any coercive conduct which might adversely affect third-class rates and regulations would be counter-productive to those newspapers. Thus, many newspapers may not have a vested interest in using coercive conduct to change third-class postal regulations. To determine if any difference exists between newspapers which operate TMCs using third-class mail and those which don't, the respondents are categorized as either "Have 3rd-Class TMC" or "No 3rd-Class TMC."

Three types of behavior are operationalized as coercive conduct. The first is the publication of editorials or columns critical of "junk mail." "Junk mail" is the derogatory term often used by those in the newspaper industry to describe unsolicited advertising material sent through the mail to prospective customers. Since other media surround their advertising with a subsidy to entice the audience into accepting the ads (newspapers use news as an enticement, broadcasters use programming), the insinuation of those who use the term "junk mail" in a derogatory sense is that much mailed advertising offers no such enticement, therefore it is "junk." Shared mail would be considered a form of "junk mail" since it uses no subsidy of news or entertainment to entice the reader into paying attention to the advertising (20).

The typical editorial complaint about "junk mail" is that it tends to clog the mailbox while serving no desirable purpose. What normally goes unsaid is that the type of printed advertising which constitutes "junk mail" probably would be circulated with the newspaper if mail distribution were not available. Editorializing is considered coercive conduct because it is a form of lobbying whether the writer perceives it as such either consciously or unconsciously, a form of lobbying that could ultimately result in a change in market structure. Those writers normally believe elected officials are sensitive to newspaper editorials, especially as they affect public opinion. Since elected officials such as members of Congress may have some sway over the Post Office, they may react to newspaper editorials in a manner favorable to newspapers. In other cases, an editorial may be an attempt by the newspaper publisher to cause a public outcry ultimately leading to government action.

The second and third types of behavior operationalized as coercive conduct are more direct forms of political lobbying. The second type is defined as direct lobbying of members of the House or the Senate by representatives of the newspaper. Typically, elected officials stop by newspaper offices for free publicity (in the guise of an interview) whenever they visit the communities in their districts. Frequently, those elected officials are personally acquainted with the newspaper publishers. In either case, if the publishers or any other newspaper representatives personally lobbied their elected officials regarding postal rates or regulations, it is considered coercive conduct for the purposes of this study.

The third measure of coercive conduct is involvement of individual newspapers in the lobbying activities of state or national newspaper organizations. Frequently those organizations will ask publishers to contact key congressional representatives or to write postal officials about anticipated changes in postal rates or regulations.

Respondents were asked if, in their knowledge, their newspapers ever published any editorials or columns critical of "junk mail" after shared mail entered their markets (or, for those newspapers which never faced shared mail competition, if they had ever published editorials critical of "junk mail), if they ever lobbied congressional representatives or postal officials to raise third-class postal rates or change third-class postal regulations, or if they had ever been involved with the lobbying efforts of any group (such as the National Newspaper Association or the Utah Press Association) aimed at influencing postal rates or regulations. For the purposes of this study, those three types of coercive conduct are called "Editorial Coercion," "Coercive Lobbying" and "Organized Coercion."

The measures are all based on the perceptions of the respondents. They are objective in the sense that either a newspaper published a "junk mail" editorial or it didn't, either it was involved in an organized lobbying effort or it wasn't. Yet, the responses ultimately depend on the perceptions of the respondents.

Since coercive conduct by newspapers has received little attention from researchers, an open-ended interview format was used. Instead of merely providing "yes" or "no" answers to the questions about involvement in the three types of coercive conduct, respondents were also encouraged to state the reasons behind their answers. Those more detailed responses are reported in the Results section.

Prior to the interviews, respondents were told only that the purpose of the study was to determine the impact on their newspapers of competition with shared mail. Indications are that artifact did not cause any reluctance on the part of the respondents to provide open answers. Since some might attach negative connotations to activities which could be considered coercive, any tendency on the part of the respondents would be to refuse to acknowledge any such activity on their parts. Their openness in answering those questions, that is, their willingness to admit to coercive activities, suggests that artifact did not impact the results.

RESULTS

Responses from the publishers indicate coercive conduct is one strategy employed by community newspapers in competing against shared mail. Of the 41 newspapers, 18 (43.9 percent) had engaged in Editorial Coercion (Table 1). Newspapers which had faced shared mail competition were more prone to publish editorials or columns against "junk mail" than those which had not. Of the 18 papers which had published commentary relating to that subject, only two had never faced shared mail competition. The other 16 were either in direct competition or had faced former competition from shared mail which would be considered a form of "junk mail" by those who use that term. Of those 16 newspapers which criticized "junk mail," eight have their own third-class TMC delivery. Since those third-class TMCs are unsolicited and contain primarily advertising material, they also could be considered "junk mail." Thus, at half the newspapers which engaged in Editorial Coercion, the commentary was criticizing one of the newspaper's own products. Those publishers acknowledge that conflict, but typically are able to resolve it by stating they are more concerned with maintaining favorable second-class rates and regulations (the kind used in newspaper delivery) than they are with third-class regulations. Those publishers indicate they are newspaper people first and participate in the advertising delivery business only out of necessity. They typically say second-class rates are designed to promote the flow of information (in fact, second-class rates were established during colonial times for exactly that purpose), and upholding that intent is more important than securing better rates for their third-class products.

Those publishers apparently place a higher value on their editorial products than on their advertising products since they are willing to risk damage to their advertising in order to advocate the free flow of information. Perhaps also, they recognize the oligopolistic market structure and are advocating postal regulations which might help achieve a return to the monopoly-like market structure they had once enjoyed prior to shared mail.

A contrasting viewpoint is provided at the 11 newspapers which have third-class TMCs, and had never engaged in Editorial Coercion even though they had faced some form of shared mail competition. A typical comment by those respondents is that such an action would be self-defeating since they are "junk mailers" themselves. If those respondents had once been monopolists, they now are less willing to jeopardize their position in an oligopolistic market.

The two newspapers which have never competed with shared mail but engaged in Editorial Coercion present an interesting case because the basis for their actions would appear to be different than that of other newspapers. At both, the respondents say they had written editorials against "junk mail" because it is an issue that affects newspapers, and as members of the industry, they feel they should comment on it. In both cases, the newspapers compete against third-class TMCs mailed by competing newspapers so the editorials might have been directed at a real competitive threat, and the basis for their actions might have been the same as that of newspapers competing with shared mail.

Among those 21 newspapers which never published editorials critical of "junk mail," the most commonly cited reason by that 51.2 percent of the respondents is that the newspapers should not carry any battles with their competition over to the editorial page. Even though they recognize such commentary might provide them with a competitive advantage, they believe it is self-serving and would compromise the integrity of their editorial pages. In those instances, they are not willing to sacrifice their editorial products even if it might result in enhanced advertising products. Because of commonly held values in the newspaper industry, they are not willing to seek a competitive edge in that manner.

In the area of Coercive Lobbying, publishers also show a preference for second-class over third-class postal regulations. Representatives from 19 of the 41 newspapers (46.3 percent) had lobbied elected officials about postal rates or regulations (Table 2). Of the 19 newspapers in whose name someone had personally lobbied for regulations either more favorable to second-class mail or less favorable to third-class mail, 10 have their own third-class TMCs. As with Editorial Coercion, most of the respondents indicate they are more concerned with maintaining favorable rates and regulations for second-class mail than they are with third-class. Once again, favorable second-class rates benefit their newspapers while any regulations unfavorable to third-class mail may hurt their TMCs, but those third-class regulations also hurt shared mail to the benefit of their newspapers. Some of the publishers at the 19 newspapers who had personally lobbied congressional representatives say their concern is not third-class rates per se, but what they perceive as a more competitive stance by the Post Office in soliciting advertising. In other words, in order to solve its own budget problems, the Post Office was attempting to encourage more companies to deliver their advertising through the mail stream. Print advertising is most suitable for mailing, so any new advertising the Post Office could attract might be taken away from newspapers. Publishers concerned with the Post Office's more competitive stance believe its function is to provide a public service, not to compete with private enterprise. If the Post Office had come under pressure to become more self-sufficient, the publishers do not believe it should do so by attempting to persuade firms to circulate their advertisements in the mail stream rather than in newspapers. Yet, even though newspapers are a drain on the postal service because of subsidized second-class rates, the publishers believe it is the Post Office's responsibility to offer those special rates to encourage the free and diverse flow of information.

Four of the six newspapers which never faced shared mail competition were involved in Coercive Lobbying. At two, the respondents say they were not concerned with third-class mail, but their efforts were directed entirely at maintaining favorable second-class regulations. At the other two, the respondents believe "junk mail" is a newspaper issue, and as members of the industry, they should lobby against it. Those two papers both compete against third-class TMCs distributed by other newspapers so they have a vested interest in lobbying against "junk mail," an interest that is directly related to a competitor.

The greatest involvement in coercive conduct is evident in the area of Organized Coercion. Twenty-seven of the 41 newspapers (65.9 percent) had been involved in organized lobbying efforts aimed at influencing postal rates or regulations (Table 3). Those efforts usually involved responding to calls from the Utah Press Association or the National Newspaper Association requesting letters or phone calls to congressional representatives or postal officials on postal issues which affect newspapers. Of the 27 newspapers which had been involved in the organized lobbying efforts, 17 have their own TMCs so any lobbying against third-class mail could be counterproductive to their operations. Once again, though, most of the publishers from those newspapers say their efforts are directed more at maintaining favorable second-class regulations than they are at undermining third-class regulations (which normally is the position the NNA takes in its lobbying efforts). Yet, since second-class rates are only available to newspapers, any rulings favorable to second-class mail benefit only newspapers and give them an edge in the market over any rivals using third-class mail.

Five of the six newspapers which never competed against shared mail were also involved in Organized Coercion. At three, the intent of those efforts is to maintain favorable second-class regulations. At the other two, the respondents believe they have a responsibility as members of the newspaper industry to support those organized efforts. Both compete against third-class TMCs published by other newspapers, so they have a vested interest in those organized lobbying efforts.

DISCUSSION

Coercive conduct has been described as the conscious aim of firms to change their environment often by worsening the structural position of some business rivals. The results of this study suggest Utah non-daily newspapers displayed several forms of coercive conduct in attempting to influence postal regulations. That conduct could worsen the position of competitors using third-class mail, especially shared mail. The conduct examined in this study took three forms. Over 40 percent of the newspapers surveyed published editorials or columns critical of "junk mail." Almost half lobbied elected officials to either obtain more favorable postal regulations for themselves or less favorable regulations for shared mail. Approximately two-thirds joined in the efforts of groups such as the Utah Press Association or the National Newspaper Association to obtain changes in postal regulations.

Coercive conduct can be achieved through government regulation. While editorializing is not a form of regulation, it could cause a public outcry leading to government action. The two forms of lobbying displayed by non-dailies are both direct attempts to influence government regulation. Shared mail is especially vulnerable to coercion through regulation since, as its name implies, it relies on the Post Office, a government agency, for delivery. Yet, the ultimate purpose of such coercive conduct by non-dailies is not always to stifle competition from shared mail. Frequently the efforts of Utah newspapers are directed at maintaining favorable regulations for their second-class privileges, not at undermining the third-class regulations used by shared mail (although the ultimate outcome still provides newspapers an advantage in the market).

Lending credence to that idea are the publishers who did not compete against shared mail, but were involved in coercive activities. Since, on the surface, that conduct would not appear to worsen the position of a business rival, it technically could not be considered coercive since it was not an attempt to worsen a rival's structural position. Yet, like many of their counterparts who actively competed with shared mail, that involvement was an attempt to maintain the second-class regulations beneficial to newspapers. Other respondents feel an obligation as members of the industry to lobby on behalf of newspaper issues. In the instances where that situation occurs during this study, the newspapers compete against third-class advertising mail other than shared mail, usually the third-class TMCs of other newspapers. Thus, that conduct could be considered coercive since it would have an adverse effect on a competitor.

Promoting second-class privileges was frequently the intent of respondents who lobbied for those privileges even though they have their own third-class TMCs which could be adversely affected by those lobbying efforts. It appears publishers would happily sacrifice their third-class TMCs if regulations favorable to second-class mail would bring about a return to the monopoly-like conditions newspapers previously enjoyed. In fact, some respondents say they would welcome a return to the days when they only published a newspaper and did not have to worry about operating a mailing center. Another reason why respondents may have championed their second-class products over their third-class products is because of the important role they perceive news to play in society. Since this nation's founding, the free and diverse flow of information has always been viewed as a public necessity. Publishers are strong advocates of that goal, and second-class postage helps promote it.

Advertising has normally been viewed from a less hallowed perspective. Some advertising has value in that it can help to make readers more informed consumers, but it has never been considered vital to the functioning of the democratic form of government. While the advertising product may be the primary source of monetary income, the editorial product is more likely the primary source of psychic income. The news is what sets newspapers apart from other industries, probably because of the importance this nation has always placed on the free flow of information. The editorial product, not the advertising product, is a newspaper's source of prestige both within its community and within the industry. Most of the loftier goals to which newspaper people aspire center on the editorial product, not the advertising product. The amount of psychic income publishers receive from their editorial products may help to explain why they are more prone to lobby for second-class postal rates even if it might have an adverse effect on their advertising. In other words, many publishers are willing to forego some monetary income derived from the advertising products in order to maintain the psychic income they derive from the editorial products. As a result, they may lobby on behalf of second-class postage at the expense of third-class postage, even when they use both. If that conduct has a detrimental effect on their monetary income, publishers can justify that loss by potential gains in psychic income.

Much of the coercive conduct by non-dailies, then, is aimed at maintaining their own favorable position in the market, and not at directly hurting their rivals. That view is not an oligopolist's, where non-dailies recognize their interdependence and want regulations to favor them at the expense of their rivals. Rather, it often takes the form of a monopolist's viewpoint. They want favorable regulations for their own products with little concern for their rivals. For many non-dailies, news is still a monopoly product, and that is what much of the coercive conduct is intended to promote. The idea that many of the coercive activities reflect a monopolist's viewpoint is especially displayed by those newspapers which never competed with shared mail, but still engaged in coercive conduct. Based on their statements, the primary purpose of that conduct is to maintain the favorable position they already occupy in the market.

Since the results are based on the perceptions of the respondents, acting on behalf of the news products may provide them a justification for conduct that might otherwise be construed as coercive. When acting in support of second-class regulations, respondents promote the flow of information to the public which is perceived as a common good. When acting to weaken third-class mail, respondents would be perceived as engaging in coercive conduct which has negative connotations. Yet, regulations beneficial to second-class mail give newspapers an advantage over competitors. If the respondents fail to recognize that, they may be deceiving themselves. To support second-class mail is honorable, to act against third-class mail is coercive so the respondents perceive their actions in an honorable context.

Yet, much of that coercive conduct does, in fact, weaken the position of competitors. For example, writing editorials critical of "junk mail" is clearly an attempt to disadvantage a rival, and eighteen (almost 44 percent) newspapers in this study engaged in that practice. The conclusion suggested by the results, then, is that the conduct examined in this study was coercive in some instances in that it was an attempt to worsen the structural position of a rival. In other instances, that conduct was perceived as an attempt by newspaper publishers to use legal tactics to enhance their own position.

Whether those types of conduct did, in fact, affect the recent changes in postal rates was not examined in this study. The purpose of this study was to examine whether individual newspapers will employ coercion and legal tactics to enhance their own structural position in the market. The indications are newspapers will use coercion not only to enhance their own structural positions, but to enhance the position of the newspaper industry as a whole (as evidenced by those respondents who have nothing to gain from the coercive conduct examined in this study, but engage in it out of a sense of duty to the industry). While no attempt was made to determine if that coercive conduct had any effect on recent changes in postal regulations, the two most recent sets of changes are more advantageous to newspapers than to other mailers. From all indications, the new postal regulations will give newspapers a competitive edge in the market. That is the kind of impact coercive conduct is often intended to produce.

Another change in market structure which may be a result of newspaper behavior is a situation where shared mail abandons a market. The pertinent question is whether or not newspaper behavior caused the shared mailer to leave. In this study, 11 newspapers operate in markets which shared mail abandoned. In none of those situations do the respondents believe coercive conduct drove shared mail from the market. Instead, two factors are commonly cited as responsible for that change in market structure. One is the inability of shared mail to achieve a profitable level of business. Six of the 11 respondents in markets which shared mail abandoned cite that factor as the cause of shared mail's departure. The second is competitive changes implemented by the newspapers, changes unrelated to coercive conduct. The other five newspapers in markets which shared mail abandoned attribute development of their own TMC delivery schemes as responsible for driving shared mail from the market. Thus, in cases where shared mail did abandon certain markets, the newspaper behaviors cited as a cause in that change in structure do not include coercive conduct.

NOTES

1. Caves, Richard, American Industry: Structure, Conduct, Performance, Prentice-Hall, Inc., Englewood Cliff, N.J., 1977, p. 63.

2. Richard Caves, 1977, p. 106.

3. Normally the Post Office is not considered a regulatory body. Caves classifies it as a public enterprise (1977, p. 111). Still, as a public enterprise, the Post Office sets regulations for those who use its services. Shared mailers would fall under Post Office jurisdiction since they use third-class mail. Many newspapers which distribute under second-class regulations would also. Those second-class regulations would best fit under the category of public utility regulation using Douglas Greer's classification structure of "Basic Government Policies Concerning Markets" (Industrial Organization and Public Policy, MacMillan Publishing Company, 1984, p. 15). One of the intents of public utility regulation is to guarantee a certain level of performance for the public good. While newspapers are not technically a public utility, the government asks that they accept optional regulation in return for a subsidy in the form of reduced postal rates. If newspapers accept that regulation, and most do, the government can then require certain quality standards, in this case a minimum of 25 percent news content. Through that regulation, the government ensures a minimum level of performance which facilitates the flow of information to the public.

In essence, second-class regulations suggest the government is willing to sacrifice allocative efficiency for product performance. Those regulations have helped newspapers realize higher profit rates (a reduction in allocative efficiency) by subsidizing their distribution and thereby lowering their costs. In return, those regulations require certain performance standards. They require that all newspapers delivered through the mail contain no less than 25 percent news.

4. Publishers'Auxiliary, "USPS Governors accept new rates," Feb. 4, 1991, p. 1.

5. Publishers' Auxiliary, "PRC recommends NNA-backed postal discounts," Jan. 21, 1991, p. 1.

6. For shared mail to be considered a competitor to newspapers, a cross-elasticity of demand must exist between the two. Joe Bain and P. David Qualls (Industrial Organization: A Treatise, JAI Press, Inc., Greenwich, Conn., 1987, p. 76) state a cross-elasticity of demand exists between two firms if the selling price of one has an effect on the selling price or sales volume of another. Ken Smith ("The Impact of Shared Mail on Community Newspapers," Unpublished Ph.D. dissertation, University of Utah, 1991) found a cross-elasticity of demand to exist between shared mail and Utah community newspapers such that the price shared mail charged preprint advertisers affects both the selling price and sales volume of preprints at those newspapers.

7. Fink, Conrad C., Modern Newspaper Management, Random House, New York, 1988, p. 323.

8. Rambo, C. David, "Direct Mail's Challenge," in Presstime, January 1989, p. 18.

9. Business Week, "What's Free, Full of Ads, and Read All Over?" Nov. 2, 1987, pp. 122.

10. Valentine, John A., Former President, Advo-System, Inc., Address Delivered to the American Newspaper Publishers Association, Atlanta, Georgia, June 11, 1984.

11. Richard Caves, 1977, p. 105.

12. Richard Caves, 1977, p. 112.

13. John A. Valentine, 1984.

14. Publishers' Auxiliary, "Postage to Rise 8 to 9 Percent for In-county Mail," March 21, 1988, pp. 1-2.

15. C. David Rambo, 1989, p. 18-25.

16. Business Week, Nov. 2, 1987, pp. 122-128.

17. Rambo, C. David, "Newspapers and the Postal Service," in Presstime, January 1986, p. 21.

18. C. David Rambo, 1989, p. 18.

19. Publishers' Auxiliary, "ADVO-system Expects Lower Earnings, Cites K Mart Business Loss," June 27, 1988, p. 36.

20. That statement is not meant to imply shared mail advertising is worthless to the reader. Rather, it is meant merely to suggest shared mail would be classified as a form of "junk mail" based on the definition of that term. While the term has derogatory connotations, that is not to intended to imply shared mail advertising is any less effective than newspaper advertising for the purposes of this study.

TABLE 1

EDITORIAL COERCION BY NEWSPAPERS
(Writing Editorials Critical of "Junk Mail")

	*Direct Competition	Former Competition	Indirect Competition	No Competition	TOTAL
Published commentary: Have 3rd-Class TMC	6	2	-00-	-00-	8
Published commentary: No 3rd-Class TMC	7	1	-00-	2	10
No Commentary: Have 3rd-Class TMC	2	8	1	2	13
No Commentary: No 3rd-Class TMC	5	-00-	1	2	8
Don't know	2	-00-	-00-	-00-	2
TOTAL	22	11	2	6	41

*Direct Competition = Shared mail currently operates in the market.

Former Competition = Shared mail was active in the market at one time, but has since abandoned the market.

Indirect Competition = Shared mail delivers a package in the market every week, but no local advertisers deliver preprints in the package.

No Competition = Shared mail has never been active in the market.

TABLE 2

COERCIVE LOBBYING BY NEWSPAPERS
(Lobbying Elected or Postal Officials)

	*Direct Competition	Former Competition	Indirect Competition	No Competition	TOTAL
Lobbied officials: Have 3rd-Class TMC	2	6	-00-	2	10
Lobbied officials: No 3rd-class TMC	7	-00-	-00-	2	9
Never lobbied officials: Have 3rd-class TMC	6	4	1	1	12
Never lobbied officials: No 3rd-Class TMC	6	1	1	1	9
Don't know	1	-00-	-00-	-00-	1
TOTAL	22	11	2	6	41

*Direct Competition = Shared mail currently operates in the market.

Former Competition = Shared mail was active in the market at one time, but has since abandoned the market.

Indirect Competition = Shared mail delivers a package in the market every week, but no local advertisers deliver preprints in the package.

No Competition = Shared mail has never been active in the market.

TABLE 3

ORGANIZED COERCION BY NEWSPAPERS
(Involvement in an Organized Lobbying Effort)

	*Direct Competition	Former Competition	Indirect Competition	No Competition	TOTAL
Involved in group effort: Have 3rd-class TMC	8	7	-00-	2	17
Involved in group effort: No 3rd-class TMC	5	1	1	3	10
No involvement: Have 3rd-class TMC	-00-	3	1	-00-	4
No Involvement: No 3rd-class TMC	8	-00-	-00-	1	9
Don't know	1	-00-	-00-	-00-	1
TOTAL	22	11	2	6	41

*Direct Competition = Shared mail currently operates in the market.

Former Competition = Shared mail was active in the market at one time, but has since abandoned the market.

Indirect Competition = Shared mail delivers a package in the market every week, but no local advertisers deliver preprints in the package.

No Competition = Shared mail has never been active in the market.

Artifactual Decision Processes in Complex Media Organizations: A Multimethod Assessment of Process Correspondence

Presented at the

Management & Economics Division
of
The Association for Education in Journalism and Mass Communication

August, 1991

Derek R. Allen, Ph.D.

INTRODUCTION

The intent of this analysis is to offer further insight into "garbage can" decision processes and offer empirical evidence that will support the contention that these phenomena manifest themselves in complex organizations. That "garbage can," or -- more generally -- artifactual decision processes occur in organizations was first posited by Cohen (1972). Cohen's original argumentation supporting the presence of these stochastically bound processes relied extensively upon the output of a computer simulation. Since then, little effort has been expended to validate the propositions of Cohen's original simulation study. This analysis employs Cohen's model and empirically tests it using three actual media organizations.

There have been, to date, few general theories of news gathering processes. One interesting perspective on the process is the recent preoccupation with an industrial metaphorical explanation (see, for example, Fishman, 1980, or Bantz, McCorkle and Baade, 1980). Such interpretations simply describe the routinization and standardization of the news product; they do not offer explanations for the processes that have been observed. Thus, lacking specific prescriptions and predictions, they have somewhat limited utility. Gans (1979:78) identified three additional theories of news selection. The first is journalist-centered. That is, it argues that news is largely shaped by the professionalism, objectivity, and news judgment of journalists. Alternatively, the "mirror theory" suggests that events themselves determine story selection. In essence, it is proposed that journalists, perhaps unwittingly, accurately mirror the world. Lastly, Gans identified a set of theories that explain the news selection process as a function of external forces. Specifically, the technological and economic environments of media organizations have been regarded as integral to the news selection process. An additional, externally oriented perspective argues that it is the journalist's relationship with sources that determines what is and what is not eventually covered as news.

One characteristic of these various theories is that rational decision-making processes are assumed to be operating. Classical theories of decision making emphasize the rationality of choice on the basis of planning, prior objectives, and willful choice based upon 1) a knowledge of alternatives, 2) a knowledge of consequences, 3) a consistent preference structure, and 4) a decision-making rule or heuristic leading to the choice of the alternative with the highest expected value (March and Olsen, 1986). This was, for example, the basis for Dimmick's (1974) discourse, which argued that the news selection process was inextricably bound to the reduction of uncertainty.

Theories that rely upon the rational model frequently emphasize journalists' training and education, news judgment, and objective nature. And yet, despite their similar training, demographic homogeneity, and rationality, there has been a general failure to demonstrate, empirically, that these individual-level uniformities yield significant news item duplication across media.

This analysis will introduce a new theoretical perspective to explain macro patterns of news item selection. It is not my intent to eschew the classical rational perspectives for they do seem to have considerable explanatory prowess despite certain shortcomings. Rather, in an effort to explain the seemingly idiosyncratic patterns of news item selection among media organizations, an artifactual model of decision making will be introduced and applied to the news item selection process.

The Artifactual Model

As implied above, classical rational theories of decision making in organizations may sometimes falter. Indeed, observations of decision-making processes in organizations suggest certain problems. For example, the classical rational perspective makes excessive time and information demands on individuals who often may be under deadline pressure (Simon, 1957, and March and Simon, 1958). Further, the rational perspective regards time and information as limitless resources and assumes that all participants share the same organizational goals (March and Simon, 1968). A rather confusing image of organizational decision making has frequently emerged. Kingdon (1984), for example, articulated the propensity of organizations to manifest many simultaneous, dynamic activities marked by changing and poorly understood technologies, multiple and changing alliances, and tenuous, often unclear linkages among problems, solutions and organizational participants.

The seemingly disorganized, chaotic image of organizational decision making led March and Olsen (1986:17) to conclude that the process could best be described as "bedlam." Other, more colorful, analogies of the process have been offered. March and Romelaer (1976:276) described organizational decision making in terms of an unusual and farscicle soccer game. "Consider a round, sloped, multi-goal soccer field on which individuals play soccer. Many different people (but not everyone) can join the game (or leave it) at different times. Some people can throw balls into the game or remove them. Individuals, while they are in the game, try to kick whatever ball comes near them in the direction of goals they like and away from goals they wish to avoid."

The disorderliness of decision processes within organizations led to the development of certain artifactual theories of organizations. These seek to explain organizational processes and outcomes not as the result of rationally orchestrated and planned activities but, rather, as stochastic processes based in a temporal context and subject to the random fluctuations of the organization and its participants. Of particular interest to this analysis is a class of artifactual perspectives referred to as "Garbage Can" models.

Garbage Can Models

Garbage can models of organizational decision-making processes have enjoyed a relatively long interest among organizational theorists (March and Olsen, 1986:13). In the broadest sense, garbage can models address loose coupling, ambiguous and poorly understood technology and, more generally, organized anarchy. They have been applied, during the past twenty years, to a wide variety of organizations: from navies to publishers to legal institutions. A recent Newsweek article (Williams, 1989:62), in fact, characterized the college-admissions process in the United States as often "...arbitrary, complex, and uncertain."

According to this class of models, three elements characterize organizations. First, they have poorly defined and inconsistent preferences. They are, according to March and Olsen (1986:17), "...more of a loose collection of ideas than a coherent structure." Second, they have ambiguous technologies. That is, the organization's processes are not well-understood by its members. It has been suggested, in fact, that even the organization's managers "...make choices based on thought processes they themselves cannot explain..." and that in most organizations decision making is poorly comprehended (Applegate et al, 1988:134). Finally, the organization's members participate in its processes to varying degrees at different times; their participation is often referred to as "fluid."

Garbage can models assume that decisions are made in a temporal rather than a consequential context. Specifically, problems, solutions, and participants are connected primarily as a result of their simultaneous occurrence. As opposed to embracing the traditional rational sequence, which presumes that a problem elicits, in some manner, a solution that is eventually adopted, the garbage can perspective regards problems and solutions as occurring independently. As Cohen (1986:63) observed, the "...liberating effect of this assumption is to provide a place in the theory for frequently observed phenomena such as accidents of timing." Thus, in its purest form, the garbage can model assumes that within an organization there are multiple, largely mutually exclusive streams of independent organizational problems, solutions, and participants (Cohen, March, and Olsen, 1972). They are related, according to March and Olsen (1986:17), "...in a manner determined by their arrival and departure times and any structural constraints on the access of problems, solutions and decision makers to choice opportunities."

As implied in the preceding discussion, the model encompasses four variables. The first is a set of problems. These are the concern of individuals within the organization. They may reflect individual lifestyles, psyches, group relations, demographics, money, ideology, or even, according to Cohen, March, and Olsen (1986:314), "...current crises of mankind as interpreted by the mass media or the nextdoor neighbor." All demand attention to varying degrees.

The second element is composed of a set of solutions. Solutions are the products of individuals. In the artifactual model, solutions seek problems. For example, satellite transmission of newscasts is an answer in search of a question (e.g., the need to provide live coverage from remote locations). A broader conceptualization that regards solutions as individual capabilities is offered by Cohen (1986:64). Such an interpretation addresses the capacity or potential of an individual to produce a series of events.

The model's third element consists of the organizational participants. Their activity level, participation, and access to problems is fluid (very much like the soccer field analogy discussed earlier). Finally, the fourth element of the model consists of a set of choice opportunities. These, according to Cohen, March, and Olsen (1986:314), "...are occasions when an organization is expected to produce behavior that can be called a decision. Opportunities arise regularly and any organization has ways of declaring an occasion for choice. Contracts must be signed, people hired, promoted, or fired, money spent, and responsibilities allocated."

Integral to the process is the organization's structure. Specifically, the organization's structure dictates certain access constraints for its members. Thus, at the extremes are structures in which every participant has access to every problem and choice opportunity and, conversely, highly segmented structures in which participants have limited access to problems and choice opportunities. Thus, organizational structure plays an important role in the process. Decisions are made, according to the garbage can model, not as a result of the rationally orchestrated attempts by participants to link these various streams but as a result of their often random simultaneous occurrence as dictated by the organization's structural constraints. Whether such phenomena occur within media organizations is the concern of this analysis.

Garbage Cans and Media Organizations

That the news item selection process exhibits many of the features characteristic of the garbage can model is supported by a number of parallels. Perhaps the most important of these is the temporal context in which decisions are made in media organizations. Indeed, it is this temporal context -- the impending deadline -- that drives the decision-making process within the media organization.

Earlier the emergence of garbage can models was attributed to the difficulty classic rational models had in explaining the organized anarchy observed by many researchers. The seemingly disorganized nature of newsrooms lends itself particularly well to this description. Tunstall (1971:28) described the non-routine nature of work in media organizations in terms of Perrow's (1967) taxonomy and concluded that "the emphasis on innovation and creativity requires quick communication with the top and hence non-routine work follows a shapeless, or apparently chaotic arrangement."

Further evidence of garbage can processes is evidenced by a body of literature concerned with the news item selection process in media organizations. A review of these efforts will reveal that classic rational theories of news selection that emphasize uniformity of journalists' news judgment, training, and demographic profiles do not explain a great deal of content variation among media. Instead, it will be argued that, frequently, garbage can processes in which participants often pursue their own goals are pervasive and that much content variation is attributable to these random processes within media organizations.

Simulation of Garbage Can Processes

This paper draws directly from a computer simulation of garbage can processes originally presented by Cohen, March, and Olsen (1972; 1986). The model has been reinterpreted for the purposes of this analysis. Specifically, the four independently flowing streams referred to above have been transposed to reflect the decision-making processes that occur in media organizations. The first of these involves problems. For the purposes of this analysis, problems are the concepts, story ideas, and events that compose the set of potential news items. Next is a stream of solutions. As in the original model, these are people's products. In the current context, they encompass a variety of devices: equipment such as mobile satellite transmissions, photographic techniques, format ideas, post-production techniques, or even presentation styles. As noted earlier, an even broader and perhaps more appropriate interpretation was suggested by Cohen (1986). It regards solutions as individual capabilities. The third element requires little conceptual modification. Indeed, the set of participants is regarded as the group of journalists working for the media organization. The reinterpretation of the fourth stream is more problematic.

According to the original model, choice opportunities are occasions when the organization is expected to make a decision such as hiring personnel, signing contracts, or allocating resources. The transposed version of this stream requires that choice opportunities be conceptualized as temporally dependent. That is, the media organization must decide by "press time" whether to discard a news items, postpone it, or run it. In the last case it becomes necessary to make further, more detailed decisions. For example, should the story be run prominently, unobtrusively, or should it be modified to fit a larger news package? Thus, at the end of one news gathering iteration, certain decisions must be made.

According to the garbage can model of news selection processes, content is determined primarily by the simultaneous occurrence of the four streams as constrained by the organization's structure. For example, the occurrence of a remote event such as a press conference may coincide with 1) the availability of a mobile satellite transmission unit and 2) the piqued interest of one journalist in the topic. The simultaneity of the preceding streams may or may not coincide with the organization's temporally forced choice opportunity. That is, the organization must make certain deadline decisions with respect to the news package. There may, therefore, be no place in the final decision for the mobile transmission covering the press conference.

Another example of garbage can processes in which solutions actively seek problems was recently observed by Bennett (1988:39). He described a big-city television station that, after adopting the "action news" format complete with a helicopter, enjoyed tremendous ratings success. Of particular interest was the author's description of the manner in which this solution (the helicopter and action format) actively sought problems (e.g., events). Specifically, Bennett described an incident in which the solution acquired greater importance than the problem. The crash of a U.S. Navy jet "...created an opportunity to fly to the air base in Chopper 7 and transmit a live report from the runway where the plane had taken off earlier in the day. The report consisted of little more than meaningless but very dramatic shots of other planes taking off from the airstrip. Despite the virtual absence of meaning in the story, the image created was a dramatic one, and the advertised promise of action news was once again fulfilled by having the lead story of the nightly news captioned 'Live Report from Chopper 7'." Thus, the garbage can model of news selection processes explicitly acknowledges the temporal rather than consequential ordering of decision making in media organizations. Further, it allows for and explains the seemingly improbable reverse sequencing of questions and answers as described above.

METHODS

The extent to which artifactual decision processes and organizational structure affect content duplication among media organizations is the thrust of this analysis. In order to test the proposition that garbage can phenomena manifest themselves in media organizations and are partially responsible for the content duplication (or lack thereof) observed by other researchers, a simulation of three media organizations' decision making was conducted using the FORTRAN garbage can model originally developed by Cohen, March, and Olsen (1972; 1986). The similar size and proximity of the three network affiliates in a large, midwestern college town (WCBS, WABC and WNBC) made these three television stations ideal candidates for simulation.

In an attempt to demonstrate that the decision duplication observed among the simulated organizations was externally valid, a parallel content-analytic investigation of the their evening news programs was undertaken. The intent was to demonstrate external process correspondence as described by Roby (1970:196). That is, by observing the simulated and actual (as derived by content analysis) decision output, certain inferences with respect to process correspondence will be made. Should the simulated and actual decision output be parallel (in agreement) then the proposition that the artifactual processes within the simulation model occur in actual organizations will be, to some extent, supported.

Four weeks after a successful pilot data collection effort, a cover letter detailing the study was sent to the news director of each of the three television stations. The news directors were called one week later and a telephone interview was scheduled. The first step in the data collection process involved identifying all of the journalists in each organization. Subsequent interviews with each of the news directors yielded a set of standard choices or presentation variants, arranged hierarchically based on significance (e.g., expense). These ranged from a satellite uplink (the most expensive presentation variant at $200 per minute) to a simple "read" of a story. Intermediate choices included a remote crew, voice overs, and news coverage requiring a crew to stay overnite at a remote location.

The next step required to produce a "decision matrix" for each organization involved identifying all of the newsroom staff typically involved in day-to-day decision making. Senior station management was not considered; this organizational level typically restricts itself to policy issues and other long-term planning activities. To some extent, then, the decision matrix configuration --- particularly its dimensions --- may reflect the decision making of senior management. That is, managerial decisions concerning staff size (number of decision structure rows) or the acquisition of equipment such as an "eyewitness helicopter" (an additional decision structure column) determines the size of the decision structure matrix. The final interview with each news director involved ordering the journalists based on decision-making power. In each case the news director himself (all were males) was placed in the most powerful position. Other subordinate managerial staff such as producers and assignment editors occupied lower strata. The placement of journalists was more problematic. Although senior reporters with slightly more decision-making power were identified in at least one case, the majority of each station's reportorial staff was considered to have equal access to the organization's resources. As a result, the reporters were randomly assigned to the lower strata. This is of little consequence, however, since the individuals in the matrices will not be of interest here; it is the overall organizational structure that is my primary concern.

Finally, the news directors were asked to indicate the access of each organizational participant to each of the choices. Each cell represented the access to choices afforded any individual organizational participant. The upper-left cell, position (1,1), represents the access of the most powerful employee to the most important choice. If a '1' were assigned to this cell the implication would be that this individual could make decisions concerning the choice. This resulted in a completed decision structure matrix for each organization.

That the bias of the news directors might somehow be reflected in these structures was of concern, however. In order to ensure that the news directors' responses were accurate, additional telephone interviews were conducted. Specifically, two journalists at each of the organizations were asked to complete a decision structure for their organization. The additional interviews strongly confirmed the news directors' objectivity; there were no conflicts with respect to perceptions of any individual's access to any organizational choice. The interview process yielded a decision matrix for each of the three news organizations. The decision matrices are presented in Appendices 1 - 3.

Summary of the Decision Structures

The three decision structures exhibited a number of common features. For example, the three structures were of approximately the same size. WCBS was a slightly larger organization and required a larger decision structure (e.g., more matrix rows). The three decision structures also differed in a more subtle manner. Specifically, while reporters in all three organizations appeared constrained with respect to choice access, there were considerable differences concerning the managerial staffs' access to choices. For example, virtually all of the managerial staff at WNBC and WCBS were granted access to the most costly choice (satellite uplink). Only the news director at WABC, however, was permitted to make decisions involving the most significant choice. Further, the WABC news director's subordinate managerial staff had considerably less access to important choices than their managerial-level colleagues at the other two organizations.

Simulated Decision Duplication

The 20 simulation trials yielded 180 decision histories for each of the three media organizations; in excess of 36,000 lines of output was produced. Each individual history reflected the simulated organization's attempt to resolve 20 problems over 20 time periods under the same random conditions. Twenty trials were conducted for each organization. This was analogous to recording the content in the three actual organizations' evening newscasts over a 20-day period. The extent to which each simulated organization made decisions that were duplicated by one or both of its competitors was assessed by comparing the various decision histories. Each history depicted an organization's attempt to resolve (i.e., cover) the same 20 randomly arriving problems as its competitors.

Decision duplication was determined by placing the decision histories for a particular trial side-by-side and manually counting duplicated decisions This data, actually a series of three binary variables per observation (where one observation was one decision made by one organization), was then analyzed to determine duplication rates. For example, a single observation of decision duplication for organization 3 would appear as '101' indicating the "story" was encountered in organizations 1 and 3 but not 2. In all, 4,104 such observations were recorded. Based upon these binary data, decision duplication rates were calculated. That is, the extent to which each simulated organization duplicated the decisions (i.e., stories) of its two competitors was determined.

Content Analysis Methods

The second significant phase of this analysis involved recording the content of the WCBS, WNBC, and WABC newscasts. During four weeks in April, 1990, the three weekday 6:00 PM news programs were simultaneously recorded on three VHS video recorders. Twenty weekdays composed the sample period. Of these, three were dropped due to technical difficulties that resulted in the omission of one station's newscast on each of the three days. As a result, the newscasts aired on April 4, 5, and 12 were excluded from the analysis.

The 17 weekday newscasts for all three organizations yielded 1,530 minutes (25.5 hours) of taped news. During the period several stories tended to dominate the news agenda. In particular, the Indian spearfishing controversy in northern Wisconsin and two murder trials received a large amount of attention from the media. Each of the nearly 500 stories during the sample period was viewed and timed for length. Although length was recorded to one significant decimal place, it was later rounded to seconds. Story rank was recorded as the story's placement in the overall news program (excluding weather and sports).

Each story was also described in appropriate detail. Where more complex stories were involved, more lengthy descriptions were recorded. Most frequently, however, story descriptions were brief such as "Milwaukee axe attacker in court for hearing."

Assessment of Duplicated Content

In a manner similar to that employed in the assessment of simulated decision content, the completed coding sheets for each station for a particular day were placed side-by-side. Determining whether a story aired by one station appeared in the newscasts of either of its two competitors was a laborious, manual process. With the coding sheets for the three organizations' broadcasts (for the same day) in hand, the author simply determined whether or not story A in broadcast 1 appeared in either broadcast 2 or 3. Three binary variables were employed to record the basic duplication rates. These indicated whether or not a specific story appeared on each station.

Summary of the Content Analysis Method

The content analytic phase of this study involved taping the evening newscasts of the three television stations. In all, nearly 500 locally generated stories were used. For each day of the 17 day sample period the extent to which each organization duplicated its competitors' news content was determined in a manner similar to that employed in the simulation phase.

Process Correspondence Methods

The procedures described in the preceding sections yielded summary duplication rates that were parallel across methods. That is, the simulation trials and content analysis resulted in several sets of summary statistics. The three simulated organizations each were associated with two duplication rates. Thus, the following percentages were derived:

1. Percent of WABC decisions duplicated by WNBC.
2. Percent of WABC decisions duplicated by WCBS.
3. Percent of WCBS decisions duplicated by WNBC.
4. Percent of WCBS decisions duplicated by WABC.
5. Percent of WNBC decisions duplicated by WABC.
6. Percent of WNBC decisions duplicated by WCBS.

The content analysis yielded similar decision duplication rates. Process correspondence --- the extent to which the simulation output was related to real world phenomena --- is the primary concern here. In short, process correspondence entails demonstrating that the simulation parallels reality. Two levels of rigor exist when assessing process correspondence. The first requires only that (simulated and "real") process outputs be similar. The process itself remains a "black box" and does not have to be an exact duplication of reality. Parallel output is sufficient to demonstrate this level of process correspondence; there is no need to dissect the model's algorithms in an effort to equate them to real-life processes. A second, more rigorous, school of thought exists concerning the assessment of process correspondence. At this "...extreme of descriptive verisimilitude," according to Roby (1970:198), the extent to which the simulation seems "...to engage in the same activities as are observed in the organization when faced with the same circumstances" is of primary importance.

The nature of the simulation performed in this analysis precludes the more rigorous process correspondence standards. Instead, this analysis investigates the extent to which the outputs of the simulated and actual news organizations correspond. Specifically, the simulation of the three news organizations resulted in output that depicted decision patterns under a variety of environmental and internal conditions. Each simulated organization encountered the same distribution of problems. It was presumed that, based both on their different decision structures and sizes, the simulated organizations would produce different -- although probably similar -- decision patterns.

In short, then, the simulation duplication rates were compared to those derived from the content analysis. The extent to which the two agreed or covaried was the basis for conclusions concerning the degree to which the stochastic processes within the simulation model occur in actual media organizations.

HYPOTHESES

Three hypothese are presented below. They introduce increasingly rigorous tests of the general notion that garbage can decision processes occur in media organizations. The first, least rigorous, test of process correspondence involves the relationship between organizational size and decision making.

> H1: The largest of the three organizations (WCBS) will make more decisions than its two competitors in both the simulation and content analysis.

Further, it is expected that the organizations' rank with respect to total decisions made will be parallel across the two methods. That is, the simulation and content analysis are predicted to agree with respect to the three organizations' ranks in terms of total decisions made. This is proposed in the following hypothesis:

> H2: The rank order of the three organizations in terms of total decisions made will be parallel across the two methods.

The third step in assessing process correspondence is slightly more rigorous. As was noted earlier, the same set of six summary statistics concerning decision duplication was calculated in the simulation and content analysis methods. Specifically, six percentiles relating to the extent to which each organization duplicated the content of its competitors' were produced. This phase in the assessment of process correspondence holds that these six percentiles, or overall duplication rates, should be parallel across methods. The next hypothesis posits such a relationship.

> H3: The rank order of the six summary duplication rates derived from the simulation trials and the content analysis will be parallel.

The above hypothesis suggests that the duplication rates – that is, the extent to which each organization duplicates the decisions of its two competitors – will be in rank agreement across the two methods. Thus, this hypothesis predicts that the organization that subsumes the highest percentage of its competitors' decisions will do so in both the content analysis and simulation. As was noted earlier, six summary duplication rates will be offered, two for each organization. This hypothesis predicts that the order of these six decision duplication percentages will be parallel across methods.

The three hypotheses relating to the assessment of process correspondence introduce increasingly rigorous tests of multi-method validity. It was initially suggested that the largest organization (WCBS) would make the most simulated and real decisions. The second hypothesis extended this proposition by proposing the rank order of the three organizations in terms of total decisions made would be identical across methods. Next, it was predicted that the six duplication rates derived from the content analysis and simulation would be parallel across methods. That is, it was predicted that both methods would yield the same rank ordering of the six duplication rates.

RESULTS

The duplication data derived from the simulation and content-analytic efforts described in the preceding chapter were subjected to the statistical procedures of the mainframe SAS package. Three hypotheses relating to process correspondence were offered. The first predicted that the largest organization (WCBS) would make the most decisions (e.g., cover the most stories) in both the content analysis and simulation. This proposition was supported by the data as demonstrated by Table 1. Next, it was predicted that the two methods would agree with respect to the three organizations' ranks in terms of total decisions made. This proposition was also strongly supported by the data. That is, WCBS ranked first in both methods while WNBC and WABC ranked second and third respectively in both the content analysis and simulation.

Table 1
Cross-method Comparison of Total
Decisions Made

	TOTAL DECISIONS			
	Simulation		Content Analysis	
Decisions:	n	%	n	%
WCBS	1,762	42.93	175	35.93
WNBC	1,239	30.19	160	32.85
WABC	1,103	26.87	152	31.21
Total:	4,104	100.00	487	100.00

The final hypothesis yielded very pleasing results as depicted in Table 2. Note that Table 2 has a horizontal or row-wise orientation and is read from left to right. For example, the first row presents the extent to which WCBS duplicated the content of WNBC and WABC in both the simulation and content anlaysis. Thus, the first two entries in the first row (82.9 and 37.5) indicate the percent of WNBC's "decisions" that were duplicated by WCBS in the simulation and content analysis, respectively. Below each entry, in parentheses, is the rank for each percentage. There is one set of ranks associated with the simulation and one for the content analysis. The relationship between these two sets of ranks was of considerable interest.

The simulation and content analysis data were remarkably parallel in terms of overall decision duplication rank (Spearman rank order correlation = .829 α= .05). In each (pairwise) case, the rank order of percentile magnitude was reversed. That is, while the simulation indicated that the percentage of WABC stories duplicated by WCBS was the highest, the content analysis data indicated that this was the second highest duplication rate and vice versa. This yielded a unique and unexpected pattern. For example, the top-right corner of Table 2 contained the highest duplication rates (WCBS's and WNBC's duplication of WABC stories). Conversely, the bottom left-hand corner of the table consisted of the lowest duplication rates (WNBC's and WABC's duplication of WCBS content). The systematic reversal of ranks, while interesting in its own right, was a chance result and has no theoretical or operational implications other than the (significant) linear relationship it represents.

Table 2
Cross-method Comparison of Duplication Rates

	WCBS		WNBC		WABC	
	Sim.	C.A.	Sim.	C.A.	Sim.	C.A.
WCBS	--	--	82.9 (3)	37.5 (4)	91.1 (1)	40.7 (2)
WNBC	59.7 (5)	34.2 (6)	--	--	83.3 (2)	42.1 (1)
WABC	56.9 (6)	36.0 (5)	74.3 (4)	38.7 (3)	--	--

Spearman Rank Order Correlation: .829 α=.05

Process Correspondence Findings

The simulation and content analysis data supported the three hypotheses as discussed above. Specifically, the largest organization made the most decisions in both the simulation and content analysis. Further, in terms of overall rank with respect to total decisions made, the two methods agreed. That is WCBS made the most decisions in each method, while WNBC and WABC ranked second and third respectively. In terms of overall decision duplication rates, the two methods also were strongly parallel. A significant Spearman rank order correlation was offered as evidence of this.

That the two methods agreed in terms of overall decision duplication has some interesting implications. In particular, the parallel results lend credence to the proposition that certain artifactual decision processes occur within complex media organizations and that these are subject to variations in organizational structure. Clearly, this does not mean that decisions in media organizations are the complete result of random activities. Instead, it is proposed that decision making in media organizations may have a strong stochastic element bounded by formally prescribed access to organizational resources.

DISCUSSION

As noted above, the principal intent of this analysis was to explore the extent to which artifactual decision processes occur in complex media organizations. And, in fact, evidence to support this contention was encountered. Clearly, that significant covariation between the simulation output and reality was observed does not provide irrefutable evidence that artifactual decision processes occur in media organizations. The evidence presented here confirms the viability of the notion that decisions in media organizations may be artifactually grounded, however.

If elements of the artifactual model manifest themselves in the decision-making processes of complex media organizations, there are a number of implications. First, this suggests that the content of newscasts is, to some extent, stochastically bound. Thus, theories that propose that the media are responsible for a certain degree of "agenda setting" among viewers take on new meaning. Rather than reflecting the rational decisions of managers orchestrating the content of the news, viewer "agendas" may well be as random as the processes that create them.

Perhaps the most significant contribution of this research involves its relationship to the existing body of literature concerning the news item selection process. Specifically, the artifactual (i.e., garbage can) theory of decision making in media organizations explicitly acknowledges serendipitous occurrences and accidents of timing. These tend to defy the logic of more traditional theories and interpretations discussed above. By treating the garbage can theory as an adjunct to the rationally based explanations, the latter become more plausible. For example, with an explicit "error term" theories that suggest the news selection process is guided by external forces or that journalists unwittingly "mirror" reality become more rigorous. The magnitude of this error term -- that is, the extent of its role in the host theory -- is arguable. These data would suggest artifactual processes be afforded significant consideration, however.

Given the process correspondence observed here, certain managerial recommendations can be made for the three organizations. March and Olsen (1986:17) specifically identified "structural constraints" of the organization as determining artifactual decision process. And, in fact, organizational size and structure emerged as related to decision duplication in this analysis. The acutely hierarchical structure of WABC, for example, is entirely responsible for the difference between this organization and WNBC since both are of the same size. That only the news director at WABC had access to the three most important organizational choices may have had utility in that it centralized the decision process concerning these choices. On the other hand, this was most certainly the reason that WABC made fewer decisions in the simulation. It would seem reasonable to conclude that, given the correspondence between the two methods employed in this analysis, the markedly hierarchical structure of WABC was responsible for its poor performance in reality (e.g., fewer stories as determined by the content analysis). Thus, successive simulation trials, across which systematic structural changes are made, could provide an "optimization" method for designing organizations. That is, the optimal decision structure could be determined and adopted. In the case of WABC, the simulation results would suggest expanding access to the most critical organizational resources.

The structures of the decision matrices used in this study were clearly hierarchical; more powerful organizational members had access to virtually all of the organization's resources. Other structures could be tested. For example, more specialized structures in which each member has access to only one organizational resource might streamline the decision-making process. Other extreme forms might involve structures in which all of the organization's members have access to all of its resources. Whether this latter structure would result in chaos or improved efficiencies could be tested with the simulation model. It is doubtful that such extreme departures from the traditionally hierarchically arranged newsroom would be adopted, of course.

Another crucial point of this analysis may involve its implications with respect to media consonance. That is, are the media producing virtually identical versions of the news? The existing evidence in support of this notion is far from compelling. This analysis tends not to propose definitive or absolute statements concerning media consonance. Instead, it seems clear from both the simulation trials and content analysis that content duplication is a function of organizational size and structure and that content duplication varies from organization to organization under different conditions. Some organizations -- particularly the larger media organizations -- tend to provide more unduplicated stories, for example.

Another interesting implication of this research concerns the "planned event." Specifically, public relations professionals know that they will enjoy a better chance of media coverage if they hold their "events" (e.g., press conferences) on traditionally slow news days. Thus, to a certain extent, it seems that those who seek publicity are well aware of the probability that media coverage may be determined not by the merit of the event per se, but rather as a result of the random, temporally based streams described by the "garbage can" theory.

The most elegant description of media decision-making processes would embrace a single explanation. Unfortunately, there probably is no one theory that accounts for all of the decision-making phenomena in media (or other) organizations. Instead, it is likely that a variety of explanations operating in conjunction provides the most accurate and parsimonious description of media decision processes. That artifactual and rational processes occur together and under different organizational and environmental conditions is probably the most plausible explanation.

Finally, it should be noted that the methodology employed in this study could be used to test hypotheses concerning the presence of artifactual (garbage can) decision processes in virtually any organization. For example, three insurance companies or public utilities could have been the subjects of analysis. Any type of organization that produces decisions that can be easily recorded lends itself to the process correspondence methodology used here.

REFERENCES

Applegate, Lynda M., Cash, James I., and Mills, Quinn D. (1988). Information technology and tomorrow's manager. Harvard Business Review, 88, 128-136.

Bantz, Charles R., McCorkle, Suzanne, and Baade, Roberta C. (1980) The news factory. Communications Research, 7, 45-68.

Bennett, Lance. (1988). News: The politics of illusion. New York: Longman.

Cohen, Michael D. (1986). Intelligence and the dynamic performance of organizational designs. In Ambiguity and Command: Organizational Perspectives on Military Decision Edited by James G. March and Roger Weissinger-Baylor. Marshfield, Mass.: Pittman.

Cohen, Michael D., March, James G., and Olsen, Johan P. (1972). A garbage can model of organizational choice. Administrative Science Quarterly, 17, 1-25.

Cohen, Michael D., March, James G., and Olsen, Johan P. (1986). A garbage can model of organizational choice. In Ambiguity and Command: Organizational Perspectives on Military Decision Making. Edited by James G. March and Roger Weissinger-Baylor. Marshfield, Mass.: Pittman.

Dimmick, John (1974). The gatekeeper: An uncertainty theory. Journalism Monographs, 37, 1-37.

Fishman, Mark (1980). Manufacturing the News. Austin: University of Texas Press.

Gans, Herbert J. (1979). Deciding What's News: A Study of CBS Evening News, NBC Evening News, Newsweek, and Time. New York: Random House.

Kingdon, John W. (1984) Agendas, alternatives and public policies. Boston, Mass.: Little, Brown.

March, James G. and Olsen, Johan P. (1986). Garbage can models of decision making in organizations. In Ambiguity and Command: Organizational Perspectives on Military Decision Making. Edited by James G. March and Roger Weissinger-Baylor. Marshfield, Mass.: Pittman.

March, James G. and Simon, Herbert A. (1958). Organizations. New York: Wiley.

March, James G. and Romelaer, P. (1976). Position and presence in the drift of decisions. In Ambiguity and Choice in Organizations. Edited by James G. March and Johan P. Olsen. Bergen, Norway: Universitetforlaget.

Olsen, Johan P. (1986) Choice in an organized anarchy. In Ambiguity and Choice in Organizations. James G. March and Johan P. Olsen (Eds.) Bergen, Norway: Universitetforlaget.

Perrow, Charles (1967). A framework for the comparative analysis of organizations. American Sociological Review, 32, 194-208.

Roby, Thomas B. (1971) Computer simulation models for organization theory. In Organizational Design and Research. James D. Thompson and Victor Vroom (Eds.) Pittsburgh: University of Pittsburgh Press.

Simon, Herbert A. (1957). Administrative Behavior. New York: Macmillan.

Tunstall, Jeremy (1971). Journalists at Work. Beverly Hills, California: Sage Publications.

Williams, Dennis A. (1989) The confessions of a gatekeeper. Newsweek, May 1, 1989.

APPENDIX 1
WCBS Decision Structure

Title/Initials	SAT	2OT	1OT	2RM	1RM	PKG	VO1	VO2	RDR
NDIR/TS+	1	1	1	1	1	1	1	1	1
NMNG/KD+	1	1	1	1	1	1	1	1	1
AMNG/NG	1	1	1	1	1	1	1	1	1
PROD/JH	0	0	0	1	1	1	1	1	1
PROD/LJ	0	0	0	1	1	1	1	1	1
PROD/MK	0	0	0	1	1	1	1	1	1
RPTR/ML	0	0	0	0	0	1	1	1	1
RPTR/BR	0	0	0	0	0	1	1	1	1
RPTR/BT+	0	0	0	0	0	1	1	1	1
RPTR/RY	0	0	0	0	0	1	1	1	1
RPTR/KU	0	0	0	0	0	1	1	1	1
RPTR/JI	0	0	0	0	0	1	1	1	1
RPTR/RO	0	0	0	0	0	1	1	1	1
RPTR/JP	0	0	0	0	0	1	1	1	1
RPTR/PJ	0	0	0	0	0	1	1	1	1
RPTR/LJ	0	0	0	0	0	1	1	1	1

APPENDIX 2
WNBC Decision Structure

Title/Initials	SAT	2OT	1OT	2RM	1RM	PKG	VO1	VO2	RDR
NDIR/BE+	1	1	1	1	1	1	1	1	1
ASND/BD	1	0	0	1	1	1	1	1	1
MNED/RF	1	0	0	1	1	1	1	1	1
ASED/JG+	1	0	0	1	1	1	1	1	1
ASED/KH	1	0	0	1	1	1	1	1	1
RPTR/MJ+	0	0	0	0	0	1	1	1	1
RPTR/AK	0	0	0	0	0	1	1	1	1
RPTR/JK	0	0	0	0	0	1	1	1	1
RPTR/AL	0	0	0	0	0	1	1	1	1
RPTR/JK	0	0	0	0	0	1	1	1	1
RPTR/JH	0	0	0	0	0	1	1	1	1
RPTR/JD	0	0	0	0	0	1	1	1	1

KEY:

Choices
SAT=Satellite Uplink
2OT=Out of Town Overnite
1OT=Out of Town
2RM=2X Remote
1RM=1X Remote
PKG=Package
VO1=Voice Over Sound on Tape
VO2=Voice Over
RDR=Reader

Positions
NDIR=NewsDirector
ASND=Assist News Director
MNED=Managing Editor
ASED=Assistant Editor
RPTR=Reporter
NMNG=News Manager
AMNG=Assist Manager

A '+' following initials indicates this person was a respondent.

APPENDIX 3
WABC Decision Structure

Title/Initials	SAT	2OT	1OT	2RM	1RM	PKG	VO1	VO2	RDR
NDIR/JA+	1	1	1	1	1	1	1	1	1
EPRD/JS	0	0	0	1	1	1	1	1	1
AEDT/PD+	0	0	0	1	1	1	1	1	1
RPTR/BF+	0	0	0	0	0	1	1	1	1
RPTR/TG	0	0	0	0	0	1	1	1	1
RPTR/MH	0	0	0	0	0	1	1	1	1
RPTR/RJ	0	0	0	0	0	1	1	1	1
RPTR/RH	0	0	0	0	0	1	1	1	1
RPTR/DJ	0	0	0	0	0	1	1	1	1
RPTR/SJ	0	0	0	0	0	1	1	1	1
RPTR/PB	0	0	0	0	0	1	1	1	1
RPTR/PV	0	0	0	0	0	1	1	1	1

KEY: Choices

SAT=Satellite Uplink
2OT=Out of Town Overnite
1OT=Out of Town
2RM=2X Remote
1RM=1X Remote
PKG=Package
VO1=Voice Over Sound on Tape
VO2=Voice Over
RDR=Reader

Positions

NDIR = News Director
EPRD = Exec Producer
AEDT = Assist Editor
RPTR = Reporter

A '+' following initials indicates this person was a respondent.

MEDIA MANAGEMENT TRENDS IN THE 1990s

E. R. Worthington, New Mexico State University

INTRODUCTION

As the US entered the 1980s businesses were hard-pressed on all sides. Demand for goods and services was declining as the cost of money was rising. Foreign competition was selling more for less. Business and personal bankruptcies were increasing as were unemployment levels while national output growth and production efficiency were declining [5].

As the decade progressed the business environment began to improve [5]. But by the end of the 1980s layoffs and budget cuts became the new trend. As businesses tightened their financial belts the economic pinch also impacted the media industry. In bad times companies reduce advertising expenditures which is the mainstay for revenues and profits in media.

By 1990 print media were facing declining circulation and shrinking advertising income [15, 17, 25, 26, 34]. Advertising dollars targeted for electronic media also began to dry up [23, 48]. As major US industries saw their markets slump drastically, advertising spending was slashed.

Because of the multi-billion dollar failures of our financial institutions, war in the Persian Gulf, and recessions for many big businesses, America's media industry is facing hard times.

This paper will present a discussion of the changing media industry business environment of the 1990s and suggest what media managers must do to survive.

In this last decade of the 20th Century, businesses are being told increasingly what can and cannot be done. Rules, regulations, laws, and orders mandate media business management procedures. Four areas basic to business functions--technology, legislation, benefits, and personnel--are undergoing major changes that will continue to escalate throughout the 1990s. These changes will force the media industry to continually update or even drastically alter its management procedures.

THE MEDIA INDUSTRY

Few of the colleges and universities granting degrees in journalism offer programs in media management [19]. In fact, an article in a recent issue of Editor & Publisher [40] commented on a discussion panel at the 1990 AEJMC Convention that addressed the future education of journalists. Advocated were fewer hours in hard core journalism subjects and more in general knowledge areas. Nothing was mentioned about preparing journalists for management even though some educators stressed journalism programs should prepare students for their careers, not just their first job. In times when media managers are sorely needed, one wonders where they will come from.

Mass media today are much more than a communications profession, it is a multi-billion dollar industry. The media businesses therefore must function like businesses and this requires managers; preferably men and women who have been trained in journalism, the medium in which they function, and management.

Eleven years ago communications consultant Robert Theobald described the last half of the twentieth century as the "Communications Era" established primarily on the technology available which enables people to be in contact with anyone, anywhere on earth [42].

This technology was clearly evident in the processing and dissemination of information on the Gulf War.

Some even see the influence of mass media so pervasive that it sets the agenda for us "...socially, culturally, educationally, politically and economically [29]."

Institutions this powerful must be properly managed. They must be managed in two ways: one involves the profession of collecting and disseminating information; the other involves running a business profitably. Large or small, mass media organizations must be able to successfully manage both areas.

A study to determine how this was accomplished was conducted on some of the best small dailies around the country. The research found that four factors were consistently present: a clear understanding of managements' vision of the paper's role in the community; reporter independence; professional development; and self-evaluation [9]. This study concluded that success requires management leadership for implementation and support from both publishers and editors.

Media companies are in the business of gathering, packaging and distributing information to the public. This process mandates that media organizations possess some unique characteristics [22]. The product, the different kinds of employees needed (journalism and business), the around-the-clock type of organization, the societal (watchdog) role of the media, and the fact that the majority of the revenues do not come from the products' consumers tend to make media organizations different from other businesses.

These specific differences and today's difficult times add to the multifarious task of managing media operations.

TECHNOLOGY

Newspapers provide in-depth coverage of last night's ten o'clock television news. Electronic news coverage is instantaneous but usually devoid of depth. Print journalism takes time to be packaged for the public but provides detailed information radio and television lacks. In both areas changes are occurring so rapidly even journalism schools are unable to keep pace with the new technology.

The Gulf War clearly demonstrated the latest technology in the capture and transmission of visual images. TV news crews found smaller 8 mm video cameras much easier to use on the battlefield than the larger, bulkier, more expensive professional video cameras. This became the favorite in spite of weaker colors and fuzzier pictures. Ease of operation and the ability to survive under punishing news gathering conditions took precedence over picture quality.

Print newsrooms are no longer cut and paste operations. High-speed digital wire photo transmission [2] and digital photography [1] may make darkrooms and photojournalists obsolete. A reporter can take pictures with the digital camera on a chip and immediately transfer the images to the editor via phone modem. The editor's computer manipulates the images like any other computer-stored data. The news story and photos can be sent to the editor directly from the field. Then the editor, using desk-top computer technology, can compose the entire page, copy, graphics and photos, and transfer it by computer directly to the printing presses.

TV newscasts and weather reports are computer-generated programs combining science, art and show biz techniques.

Advertising is also changing to keep pace with the aging population and smarter consumers. This new wave of consumers is more knowledgeable about and more dependent on technology and divergent lifestyles. The better educated, two-income families with more discretionary income are forcing marketers and advertisers to become more precise in identifying and reaching narrowly defined target markets [24].

This increased sophistication of the customer requires increased sophistication by advertisers. Computer stored demographics can be researched and cross-indexed in minutes with powerful computer programs. Communications technology allows consumer testing world-wide without leaving an ad agency. Complex media planning and buying may be totally accomplished via computerized media brokers.

Eyes on the News, a two year Poynter Institute study linking newspaper color and reader behavior, found that many newsroom beliefs about papers are not true [31]. The results will become guidelines for future newspaper layouts, design and graphics.

The successful colorful innovations of Gannet Company's USA Today foreshadowed these implications of the Poynter study.

Project 25/43 of Knight-Ridder's Boca Raton News is another example of newspaper's attempt to change in an effort to appeal to non-readers [33]. The project numbers, 25/43, refer to the age range of the readers the paper wants to capture. The changes include more graphics and bright colors, more reader-oriented information, and more features geared toward the interests of the target audience. Also added were electronic information services to provide the target audience with even more in-depth information.

To remain solvent media managers must be aware of new technology and have the trained personnel to operate new equipment.

More young entry level workers are computer literate. As growing numbers of media businesses become computerized the problem is not with the new workers but the present work force that did not have computer training (which often includes owners and managers) [32]. Paper shuffling will not disappear. In fact, the ability to generate more paper quicker (computers, word processors, copy machines, faxes, etc.) and the increased likelihood of legal actions tend to generate more documents rather than less.

Downsizing of electronic office equipment, lowering of purchase costs, and increasing the speed and abilities of machines will cause several things to happen [51].

Electronic wizardry will be economically available to the smallest media businesses. Increased accessibility and usage of electronic equipment will make information immediately obtainable requiring quicker decision-making. The knowledge needed to successfully manipulate this equipment will exceed the basic skills of most entry level workers. This will require employees with more education who will command higher beginning wages or the business will have to train them. Small media businesses that opt not to go electronic may find they are no longer competitive. The collection, transfer and analysis of business information will be done electronically. Record keeping, purchasing, inventory control, pricing, selling, and the functions of management (personnel, marketing, production and finance) will be created, stored, analyzed, and disseminated by computer [41, 51].

It becomes imperative, therefore, that managers _must_ be well-versed in what electronic equipment is current and aware of its capabilities and limitations. While it is not always necessary for managers to become expert operators, they must know what the equipment can and cannot do to ease the burdens of operating and managing an organization.

LEGISLATION

Media managers are faced with understanding two separate sets of laws and regulations. The first deals with the profession of journalism relative to the Constitution and the First Amendment of the Bill of Rights. The second set deals with the functions of running a business. The media-related laws do not appear to cause insurmountable obstacles for media managers. On the other hand business-related legislation creates an ever-changing legal environment that becomes at times almost impossible to comprehend and follow correctly.

Workers clamor for less intrusion into their personal lives and less discrimination in the work place. Employers, on the other hand, are finding it more difficult to appraise potential employees and select who they want. While the rights of our nation's work force are being protected by a multiplicity of new laws, complying with regulatory requirements is placing a heavy burden on smaller media businesses.

For instance, employee theft costs businesses an estimated $30-$40 billion annually. Additionally, passive theft, fake sick days, padding time cards, etc., costs another $230 billion each year [11].

However, Congress banned polygraph testing (lie detectors) by most private employers in 1988 [13]. This instrument was replaced by paper and pencil tests designed to measure the honesty of a potential employee. These tests, designed by industrial psychologists, create a profile of the honest versus dishonest proclivity of the test taker. True or false personal questions are asked such as, "When I was a child, I took things that were not mine." Because this is true of most people, an honest person would reply "true." A person wanting to appear honest and truthful would probably think, "This is wrong, therefore I'll answer false" [11].

A series of these types of questions could evoke an unnatural "false" profile suggesting a less than honest person.

Test publishers state these tests are accurate at differentiating honest from dishonest people. Critics challenge the tests citing the questions do not relate to the job being sought and therefore become an invasion of privacy. They feel the relationship between a person's childhood behaviors and the ability to operate an office machine is not valid [11].

Many employers who use these tests believe they are a useful screening device. In the 1990s though, the courts or Congress may outlaw them as was done with the polygraph.

The Americans with Disabilities Act of 1990 was passed by Congress and signed into law by President Bush on July 26, 1990 [4]. This law is seen as the most sweeping nondiscrimination legislation since the Civil Rights Act of 1964.

A disabled person is defined as one having a physical or mental impairment that substantially limits one or more major life activities, having record of such impairment or being regarded as having such an impairment [18].

The act's purpose is to provide a means of eliminating discrimination against the 43 million disabled Americans. It provides clear, enforceable standards addressing the discrimination in both public places and in the work place, and it ensures the Federal government can enforce the standards established by the act. The total act protects disabled individuals in employment, public service, and public accommodations. Title I of the act deals with employment [8, 20, 44].

Employers cannot discriminate against qualified disabled applicants for a job nor limit promotion or advancement opportunities. Testing practices or job requirements that screen out the disabled may not be used [8, 20, 44].

Employers may not inquire if a person is disabled but may ask about ability to do the job. Employers must also make reasonable efforts to ensure that facilities in the work place are accessible. If special equipment or training is needed, or if part-time or modified work schedules are required, the employer must make these accommodations. A qualified job applicant cannot be turned down because the business is unable to accommodate the disability unless the cost to comply places an undue financial burden on the firm [8, 20, 44].

By July 1992, the act will apply to all businesses with 25 or more employees. By July 1994 it will apply to businesses with 15 or more employees [8].

The Equal Employment Opportunities Commission must promulgate regulations on this act by July 1991. The commission, the US Attorney General, and the Office of Federal Contract Compliance Programs must develop coordination procedures for enforcement of the act by January 1992 [8].

Most likely another Civil Rights Act will become law in the early 1990s. Congress has been working on legislation the past few years to counter Supreme Court decisions limiting employment-discrimination law suits [7, 43].

Congressional proponents advocating the new legislation point out the bill gives employees discriminated against in the work place the right to sue their employers for damages in federal court. The bill would require businesses involved, if challenged in court, to prove that their practices were a business necessity. Opponents of the bill insist, if it becomes law, it would force businesses to resort to a minority hiring quota system to stave off lawsuits [12, 30].

Legislation is not an area that most managers of smaller media businesses will be able to impact individually. On the other hand, managers that belong to professional or trade organizations are now part of an influential group. Legislative changes occur as a result of perceived needs and applied pressures. Belonging is one way to have more input into the system. Another way managers can deal with the ever-changing rules and regulations of government is to know what changes are being considered and to prepare for the changes before they occur as opposed to reacting after the fact.

BENEFITS

Employees are demanding more benefits as their related costs continue to soar. It becomes a question of what can be done to control personnel costs and still meet the needs of the work force. Combined employee benefits at the end of the 1980s cost employers 27% of total compensation [21].

One solution is to put a limit on how much a business contributes to employee benefits by allowing a restricted selection of benefits. Another response is to offer more but insist employees pay more.

The largest increase in benefit expense is insurance coverage. Less than half (46%) of businesses with fewer than 10 employees offer insurance plans, 78 percent of businesses with 10-24 employees have insurance plans, and 98 percent of firms with 100 or more employees have insurance [38].

Health insurance costs are increasing 20 to 35 percent per year. These costs continue to climb as the work force ages and family requirements change. As workers mature, more policy benefits are also utilized. In 1989 businesses paid an average 92 cents an hour for an employee's health coverage [21, 38].

Even the use of HMOs (health maintenance organizations) is not holding down costs. HMO touted savings did not occur as premiums rose 17-20% annually by the end of the 1980s. Many larger firms are actively seeking health care alternatives from designing their own health care networks to increasing employee contributions for services received [37].

Another health care concern regards the medical coverage costs of smokers. One company found that smoking employees cost the firm 24% more than non-smoking employees for health-benefit claims. Some firms are charging more for the same coverage while others have initiated "stop smoking" programs [50]. Other life-style related personal behaviors (such as drinking, substance abuse, poor dietary habits, and lack of exercise) also tend to increase health claims.

Child care is becoming more of a concern for both employers and employees. A recent survey revealed that only 10 percent of workers received company-sponsored child care benefits. The pressure is so strong both for and against laws mandating parental leave and child care that Congress is struggling with this issue without being able to enact legislation acceptable to employers, employees and government officials [47, 49].

Even though President Bush recently vetoed the compromise Family and Medical Leave Act (he doesn't believe government should mandate this to business) that is not the end of it [36]. As more working mothers (and potential mothers) enter the work force their numbers will become a voice that cannot be denied. Their special needs will have to be dealt with in an equitable manner. Within this decade businesses will be forced to concede to their demands to provide more family-related benefits for the working moms.

It appears to be a way of life. The more people get, the more they want. In the 1960s this was referred to as the theory of rising expectations. Successful handling of increasing benefit costs usually depends on an awareness of unmet needs and compromise negotiating. This demands that management recognize potential benefit deficits and attempt to remedy the situation before it gets out of hand. Essentially this means that managers should constantly be attuned to the workers' concerns and problems, and be willing to explore feasible solutions.

PERSONNEL

Our nation's population is getting older; in the 1980s the 25-44 age group increased by 30% while the 10-24 age group decreased by 12%. Our over 65 population has grown by 23% in the past decade with the over 85 age group swelling by 44% [6, 10].

People live longer and retire earlier. At the same time the pool of young workers is shrinking. By the year 2000 this group will drop by two million or 8%. A diminished labor market will impinge hiring. Entry level persons will find that jobs will exceed the number of eligible workers allowing them to request higher wages and more benefits. To attract and retain loyal, productive employees media businesses will have to offer competitive wages with attractive benefit packages [3, 6, 39].

As the number of middle age employees increases (50% of the work force by 2000), managers must cope with more workers with families who are less willing to move, are reluctant to work overtime or don't want to return to school in order to cultivate new skills. The majority of the work force, being further away from their initial education and training, less adaptable, and technologically outdated, is reluctant to change occupations or upgrade skill deficits. This same work force also prefers retirement before age 60 or 65 [6, 10, 32].

By the end of the decade women will make up about 63% of the work force. The largest group of new workers will continue to be females. By 1995, 66% of preschool children will have mothers employed full-time, out-of-the-home. Managers must recognize and deal with the fact that female employees must be able to balance both work life and parenting life [6, 32, 49].

A survey of 1,600 daily newspapers conducted by the American Society of Newspaper Editors found that the typical newsroom staff consists of young, educated, ambitious, white males [28].

Most of these employees are under-35 white males but women constitute about half of the new workers entering the profession. These new workers tend to be better educated than their older peers. Two major managerial concerns are a lack of feedback to the staff of larger papers and low pay for workers at smaller papers [28].

Flexibility will be an important managerial skill. Managers will have to consider options such as regular part-time workers, job sharing, flex-time and compressed work schedules, extended time off, and using independent contractors [16, 45, 46].

As fewer young people become available for entry level positions an alternative may be to hire older, retired personnel. This will create different concerns including increased benefits usage and costs as well as dealing with people with disparate concepts of entry level tasks, authority, responsibilities, personal values, abilities, and experience.

Businesses are also finding that many companies have too many managers [14]. A reduction in the number of mid-level managers will occur as company restructuring eliminates costly managerial positions. The remaining managers will be responsible for more employees. Reorganization will also force additional decision-making on lower level supervisors.

Successful personnel management requires the media manager to be cognizant of "people" trends early-on. As the characteristics of the labor pool begin to change, management must be in a position to also shift accordingly. This concept is nothing new; its called planning.

OVERALL IMPACT ON MEDIA BUSINESSES

As these reported changes in technology, legislation, benefits and personnel occur, media managers should be prepared to proact; that is, develop a plan to cope with these issues before they become a difficult problem. Failure to recognize what needs to be done and taking proper steps to ensure the firm is in compliance could be very costly over time. Successful media managers are those who are aware of transitioning laws, recognize new trends, and effectively incorporate these changes into their business practices.

REFERENCES

[1] Adams, J. "The Emergence of Filmless Photography." Newspapers and Technology (February 1991).

[2] Adams, J., and Foss, K. "APs Photostream: Promising Future, Complex Present." Newspapers and Technology (August 1990).

[3] "Age Can Be Barrier in Job Hunting." Las Cruces Sun-News (May 2, 1990).

[4] "Bush Signs to Cheers of Disabled." El Paso Times (July 27, 1990).

[5] Carson, R. B. Business Issues Today. St. Martin's Press, New York, 1984.

[6] "Census '90." Wall Street Journal Reports (March 9, 1990).

[7] "Civil Rights Bill Is Back, But Focus Now On Women." El Paso Times (March 11, 1991).

[8] "Conference Report on S.933, American's With Disabilities Act of 1990." Congressional Record (July 12, 1990), pp. H4582-4606.

[9] Connery, T. "Management Commitment and the Small Daily." Newspaper Research Journal 10: 59-76 (Summer/Fall 1989).

[10] "Early Retirement: Bailing Out Early." Wall Street Journal Reports (December 8, 1989).

[11] Gavzer, B. "Should You Tell All?" Parade Magazine (May 27, 1990).

[12] Gigot, P. A. "Good-bye to Civil Rights Without Quotas." Wall Street Journal (July 20, 1990).

[13] Green, W. E., and W. Lambert. "Judge Restricts Polygraph Tests by Cities." Wall Street Journal (March 1, 1990).

[14] Harte, S. "Business in the '90s: Staff Cuts." Las Cruces Sun-News (April 29, 1990).

[15] Henry, III, W. A. "Getting Bad News First Hand." Time (October 29, 1990).

[16] Hymowitz, C. "As Aetna Adds Flextime, Bosses Learn to Cope." Wall Street Journal (June 18, 1990).

[17] Jones, A. S. "Rethinking Newspapers." The New York Times (January 6, 1990).

[18] Jones, N. L. "The Americans With Disabilities Act: An Overview of Major Provisions." Congressional Research Service (July 30, 1990).

[19] Journalism and Mass Communication Directory. Association for Education in Journalism and Mass Communication (Volume 8, 1990).

[20] Karr, A. R. "Disabled-Rights Bill Inspires Hope, Fear." Wall Street Journal (May 23, 1990).

[21] "LABOR LETTER: Employee-Benefits Costs." Wall Street Journal (July 31, 1990).

[22] Lavine, J. M., and Wackman, D. B. Managing Media Organizations Effective Leadership of the Media (New York: Longman, 1988) pp. 9-21.

[23] Levin, G. "Recession Still the Enemy." Advertising Age (March 4, 1991).

[24] Light, L. "The Changing Advertising World." Journal of Advertising Research (February-March 1990).

[25] Lipman, J. "Newspaper Ad Climate Worsening." Wall Street Journal (April 6, 1990)

[26] Lublin, J. S. "Papers Hope Ad Networks Are Good News." Wall Street Journal (September 11, 1990).

[27] "More Women Head Off to the Workplace." Wall Street Journal (March 5, 1991).

[28] "Newspapers Keep Tradition; Staffs Frustrated by Feedback." Newspapers and Technology (October 1989).

[29] Newton, R. "Roles, Rights, and Responsibilities: Whom Should the Media Serve?" National Forum 2-4 (Fall 1987).

[30] Noah, T. "Many Firms, Wary of Touchy Civil-Rights Issues, Keep Silent as Business Groups Seek Bill's Defeat." Wall Street Journal (June 15, 1990).

[31] "Poynter Research Topples Editors' Myths About How Newspapers Are Read." The Poynter Report, Poynter Institute (Winter 1990-91).

[32] Redwood, A. "Human Resources Management in the 1990s." Business Horizons (January-February 1990), pp. 74-80.

[33] Reilly, P. M. "Knight-Ridder Makes a Costly New Effort to Engage Its Readers." Wall Street Journal (December 6, 1990).

[34] Reilly, P. M. "Newspapers Gird For Even Tougher 1991." Wall Street Journal (October 17, 1990).

[35] Rigdon, J. E. "Small Video Cameras Offered an Edge in the Gulf." Wall Street Journal (March 18, 1991).

[36] Rukeyser, L. "Slowly, Things are Getting Better for Working Moms." El Paso Times (September 8, 1990).

[37] Shellenbarger, S. "As HMO Premiums Soar, Employers Sour on the Plans and Check Out Alternatives." Wall Street Journal (February 27, 1990).

[38] "Small Outfits Forced to Work with Weak Health Net." El Paso Times (April 29, 1990).

[39] "Some Workers Put Out to Pasture Find Greener Grass." El Paso Times (September 2, 1990).

[40] Stein, M. L. "Generic Journalism Education." Editor and Publisher 20, 55 (August 18, 1990).

[41] Steingraber, F. G. "Managing in the 1990s." Business Horizons (January-February 1990), pp. 50-61.

[42] Theobald, R. "The Communications Era From the Year 2000." National Forum 17-20 (Summer 1980).

[43] Thernstrom, A. "The 1990 Civil Rights Bill is Wrong." Wall Street Journal (May 4, 1990).

[44] Traver, N. "Opening Doors for the Disabled." Time (June 4, 1990), p. 54.

[45] Trost, C., and C. Hymowitz. "Careers Start Giving In To Family Needs." Wall Street Journal (June 18, 1990).

[46] Trost, C. "Women Managers Quit Not for Family But to Advance Their Corporate Climb." Wall Street Journal (May 2, 1990).

[47] Trost, C. "Workers Should Get 1-Year Parental Leaves, Panel Says." Wall Street Journal (March 15, 1990).

[48] Walley, W. "TV's Upfront: Caution." Advertising Age (February 11, 1991).

[49] "Who's Minding the Kids?" Bureau of the Census Survey of Income and Program Participation (May 1987).

[50] Winslow, R. "Will Firms Shift Costs to Smokers?" Wall Street Journal (March 6, 1990).

[51] "Workplace of the Future." Wall Street Journal Reports (June 4, 1990).

Radio-TV Journalism Division

TELEVISION JOURNALISTS' PERCEPTIONS OF GROUP OWNERSHIP AND THEIR STATIONS' LOCAL NEWS COVERAGE

David C. Coulson
Associate Professor
School of Journalism
University of Nevada, Reno
Reno, NV 89557-0040

(702) 784-6898

Scot Macdonald
Doctoral Student
School of International Relations
University of Southern California
Los Angeles, CA 98230

(213) 202-8651

Presented to the 74th Annual AEJMC Convention,
Boston, August 7-10, 1991

ABSTRACT

TELEVISION JOURNALISTS' PERCEPTIONS OF GROUP OWNERSHIP AND THEIR STATIONS' LOCAL NEWS COVERAGE

This is the first national study to ask television journalists their views about the influence of group ownership on stations' journalistic performance and about the quality of local news coverage at their stations. The primary objective was to determine whether group-owned or non-group-owned stations were perceived as providing better quality coverage.

Another purpose was to find out whether the attitudes of group and independent journalists differed on issues related to this study. It was anticipated that significant differences would emerge between the type of ownership that journalists worked for and their answers to questions about group influence on station performance. In addition, there was the expectation that job status would measurably affect the views of the study's 157 journalists from 72 television stations.

Both group and non-group journalists generally held positive attitudes toward their television stations' local news coverage. Surprisingly, they did not differ in most of their views about group influence. But some differences in perceptions did emerge between managerial and non-managerial newsroom personnel. Managers held somewhat more positive views about the effects of group ownership on local news. They also were more inclined to approve of their stations' coverage and were less concerned about bottom line pressures on journalistic performance.

Despite a few differences, the prevailing agreement among respondents in this study might be explained in part by the fact that they had similar educational backgrounds and shared much of the same media socialization. It also would appear that group television stations are not much different than non-group operations in their local news performance.

TELEVISION JOURNALISTS' PERCEPTIONS OF GROUP OWNERSHIP AND THEIR STATIONS' LOCAL NEWS COVERAGE

People turn to television today more than any other news source evoking increasing public concern about the growing concentration of television ownership. This consolidation trend accelerated in 1985 when the Federal Communications Commission relaxed its multiple ownership rules,[1] raising the number of stations a television group may own from seven to 12. Many group owners began purchasing additional stations, and some bought other groups and merged them into their organizations.

Group ownership of television stations is a well-established facet of broadcasting in the United States. In 1956, half of the stations in the top 100 markets were owned by groups. By 1989, nine out of 10 such stations were group owned.[2] In this expansionist environment of leveraged buyouts and hostile takeover attempts as well as friendly acquisitions, some media observers believe that non-group-owned stations embody the principles of libertarian diversity and community service. However, others challenge this mystique by pointing out that many local family owned television stations hardly have been bastions of quality news programming and that some group stations have performed well.

This is the first national study to ask television journalists their views about the influence of group ownership on stations' journalistic performance and about the quality of local news coverage at their stations. The primary objective was to determine whether group-owned or non-group-owned stations were perceived as providing better quality coverage. Quality assessment questions were based on conventional journalistic standards of substantive and independent news reporting. These are more valid measures for assessing quality of local television news than audience preference which is heavily relied on by commercial broadcasters and is primarily a measure of popularity.[3]

Another purpose was to find out whether the attitudes of group and independent journalists differed on issues related to this study. It was anticipated that significant differences would emerge between the type of ownership that journalists worked for and their answers to questions about group influence on station performance. For example, non-group journalists were foreseen as being more critical of groups and as perceiving greater journalistic strengths of local ownership.

In addition, there was the expectation that job status would measurably affect journalists' viewpoints. An illustration of this prospect are reporters and news directors who represent opposite ends of the newsroom hierarchy of local television news. Reporters gather news and news directors establish policies that determine the criteria for news and production decisions. Although news directors usually have television news backgrounds, they operate more as managers than as journalists.[4] It will be shown to what degree that factors related to job classification may differentiate managerial journalists' attitudes toward group ownership and their stations' local news coverage from those of their non-managerial colleagues.

Literature Review

Some critics assert that television group ownership is harmful because it diminishes diversity of news coverage and emphasizes profits at the expense of news program quality.[5] However, others suggest that group owners' emphasis on share prices and profits does not adversely affect quality and that their greater capital provides an opportunity for more diversity in local news programming.[6]

Little systematic research has been conducted on the influence of group versus non-group television ownership, and much of what is known is inconclusive. It has been found, for example, that the performance of group and non-group stations is not significantly different.[7] But research also suggests that group-owned stations devote a larger percentage of air time to news and public affairs programming,[8] and still other evidence indicates the reverse.[9]

Neither ownership type has been shown to have an adverse effect on the quality of local television news.[10] However, many parent corporations of group television stations apparently choose to use the revenues their stations generate to support activities outside of broadcasting instead of to improve local programming.[11]

Uncertainty about the impact of ownership on television stations' performance and quality of news partly originates from differences in the methodologies and definitions used in the handful of studies developed over three decades. The ambiguity is also attributable in some instances to small sample populations that do not adequately consider the different policies and philosophies of television groups and locally owned stations. A strength of this study is that it is based on a representative sample of journalists from a broad cross-section of television stations.

Local news coverage was the major variable used in this study to assess journalists' views of their television stations' performance. Stations often are criticized for failure to originate much coverage choosing instead to select from staged material usually provided by public relations people and government sources.[12] But a recent study found that television stations are not nearly as passive in news gathering as many critics assert and are capable of "rare bursts" of enterprise reporting.[13]

On an average evening a half-hour of local news will have a slightly larger audience than network news.[14] Because news profitability is determined by the size and demographics of its audience, there can be strong pressure to consider audience appeal when making local news decisions.[15] A recent case study suggested that the advent of local television news as a profit center has meant even greater attention is paid to entertainment values at the possible expense of journalistic enterprise.[16] Critics assert that station managers are concerned only with catering to public interests and willing to sacrifice substantive and controversial local coverage in their efforts to maximize audience and profit.[17]

To this end, local television news purportedly seeks to support consensus and the status quo.[18] Content is said to be essentially apolitical except for the championing of commercial interests. Audiences are seen as deprived of serious news of political, economic and social significance crucial to the operation of a free society.[19] A case in point, viewers in Columbus, Ohio who relied on television for news were found "more likely to be low in knowledge" of local affairs than those who did not rely on the medium.[20]

But research also indicates that local news on television consists of more significant issues than anything else.[21] Emphasis is on hard news and local politics.[22] In this regard, soft news features are found to be increasingly used in local news programs to assist viewers in their understanding of complex issues.[23] Even sensational stories apparently can complement quality coverage through background information and mention of the political process.[24]

To summarize, the literature contains numerous examples of critics impugning local television news for its lack of substance and its profit-oriented mentality. But objections often are based on anecdotal information and limited samples of newscasts. On the other hand, some systematic analysis indicates that local coverage is issue-related. A clear picture of local television news will not begin to materialize, however, until such time that broadcast journalism more frequently receives the serious and comprehensive study its significance deserves.

Methodology

A mailing was made during February 1989 to news directors of the more than 600 network-affiliated television stations in the United States drawn from the _1988 Broadcasting/Cablecasting Yearbook_. The news directors were asked to provide complete lists of their full-time personnel involved in preparation of news. The names and job titles of 1,355 journalists from 91 television stations were received from two requests.

The study's five-page questionnaire was designed so that journalists from both group-owned and non-group-owned television stations could answer an identically worded form. Journalists at non-group stations were asked to ignore one question not relevant to them. Copies of the questionnaire were coded according to type of ownership and market size and to allow identification of non-respondents.

In late July 1989, questionnaires[25] were sent to 463 television journalists in proportion to their stations' newsroom staff size. The initial mailing and a follow-up letter produced responses from 157 journalists at 72 television stations, for a completion rate of 34%. Nearly three-quarters of the respondents held non-managerial positions in the newsroom, such as reporter, producer or anchor. Management personnel consisted of assignment editors and news directors. The broad groupings of management and non-management were developed because preliminary analysis showed few significant differences between respondents in the five initial job categories.[26]

It might be argued that producers should have been placed in the management category. Recent research that found producers are more likely than reporters to have a management orientation toward their work lends some credence to this proposition.[27] But they were considered non-management personnel in the present study because virtually none had supervisory duties associated with executive producers.

Journalists were evenly distributed according to market size. About a third each worked for television stations located in major markets (largest 50), in medium markets (51-100) and in small markets (101 and smaller). Broken down by region, 43% of the respondents were from the South, 26% from the West, 24% from the Midwest and 6% from the Northeast.

Seventy percent of the television stations were group owned and employed 70% of the journalists. Nearly 80% of the stations in major and medium markets were group owned compared with 57% in small markets. Due to the relatively small number of remaining non-group-owned television stations, a stratified sample was conducted to increase their representation in proportion to the actual population. The object was to ensure that a sufficient number of responses were obtained from non-group stations to allow meaningful comparisons for analysis. As a result of this procedure, the percentage of group-owned stations in the study is somewhat lower than that of the figure nationally.

Results

Journalists were likely to be male (60%), more than 30 years old (63%) and to earn less than $50,000 (78%). Three-quarters had worked in television news for less than 10 years. About 70% had been at their present station for less than five years.

They were well educated with nearly all having completed college. A tenth held an advanced degree, and 18% had completed some graduate work. Journalism or mass communication was studied by 60% of the college graduates and half of those who pursued graduate work.

A little more than half (54%) described their political philosophy as moderate. Most of the rest were evenly split between liberal and conservative. Journalists at non-group-owned stations were more likely to consider themselves as moderate (64% compared with 49%) and those at group-owned stations to see themselves as liberal (26% compared with 9%).

Group ownership

Two-thirds of the television journalists disagreed that group ownership inhibits diversity of news and editorial opinion; only 18% perceived such a constraint. Newsroom managers were more likely than their subordinates to disagree ($p < .01$).

However, the idea that group ownership improves the quality of a television station's local news coverage was dismissed by 40%

of the respondents and supported by only a quarter. Non-managers more often rejected the quality argument ($p < .01$), but nearly half of the managers were neutral.

A majority of journalists (55%) disagreed that group-owned stations are more likely than non-group-owned ones to cover controversial issues in the community. Non-group journalists disagreed more often than their colleagues at group stations (36% compared with 19%).

Responses were equally divided (40% each) about whether the newsrooms of group-owned television stations are freer from local economic pressures than are those of non-group-owned operations. A similar split occurred over whether non-group stations are more likely to put a significant portion of their profit back into the news product and the community.

Twice as many journalists (38% compared with 19%) would prefer to work for a group-owned television station, but a plurality had no preference. Those whose preference was group stations tended to emphasize financial incentives and career considerations whereas those who chose non-group stations often mentioned employee and community allegiance and journalistic concerns.

Respondents' television stations

Nine out of 10 journalists maintained that their television stations provide an appropriate amount of local news coverage. Forty-five percent indicated that the amount of local coverage had increased over the past several years, 38% said it had remained about the same and 12% said it had decreased.

Most journalists indicated that their stations provide substantive coverage of events and issues in the community reported from a wide variety of viewpoints. Two-thirds disagreed that their newscasts contain too much entertainment and fluff. But only 42% contended that their stations' editorials candidly address controversial issues in the community; 30% stated otherwise.

About 70% of the respondents said their television stations covered stories that might offend advertisers and other business interests in the community. Seventy-seven percent of the journalists working at group-owned stations agreed in contrast with 60% at non-group-owned stations ($p < .001$). Those at non-group stations more often strongly disagreed (11% compared with 1%).

Half of the respondents did not perceive profit seeking as adversely affecting their stations' local news coverage; a third did perceive such an adverse effect. In fact, 37% of the respondents maintained that their stations' financial commitment to local news programming had increased over the past several years. But nearly as many (33%) perceived a decreased commitment; 20% said it had remained about the same.

Their television stations' overall commitment to quality local news coverage was rated as excellent by 40% of the journalists and good by 36%. Seventeen percent found the commitment fair; only 7% rated it as poor.

Although management and non-management newsroom personnel largely approved of the performance of their television stations, they differed significantly in three of their responses ($p < .01$). Their opinions were shaped primarily by years of experience in the business, age and salary. Generally, managers are older, better paid veterans who are less inclined than other journalists to be critical of their stations.

Such was the case in this study. Managers were more likely to contend that their television stations aired substantive local coverage, including pieces offensive to advertisers and other business interests. By contrast, non-managers more often perceived adverse effects of profit seeking on local coverage.

Discussion and Conclusions

Contrary to a premise of this study, group and non-group television journalists did not differ significantly in most of their views about the influence of group ownership on stations' journalistic performance. The single exception was non-group journalists' greater disagreement with the idea that group-owned stations are more likely than theirs to cover controversial issues in the community.

But it is somewhat surprising that non-group journalists were not more supportive of television non-group ownership. They were no more likely than their group colleagues to disagree that the news departments of group-owned stations are freer from local economic pressures than are those at their stations. Nor were they more inclined to maintain that their stations more often put a significant portion of their profit back into the news product and the community.

But at the same time, four in 10 respondents perceived greater reluctance on the part of group stations to commit profits to the news product and the communities they serve. Further, fewer than a quarter contended that group ownership improves the quality of local news coverage. These findings seem to indicate that news quality and community service need to be recognized by more group executives as fair trades for reasonable profits. Overemphasis on the bottom line at the expense of other social responsibilities increases public criticism of group ownership. Ultimately, news quality suffers and the information value of the television station to the community is seriously undermined.

Few journalists agreed with critics' charges that group ownership restricts diversity of news and editorial opinion.[28] Although such ownership was not seen as a significant threat to diversity of information, it is important to note that market economics, journalists' orientations and bureaucratic news practices are also powerful restrictive forces that should be taken into account. Because no matter the cause, homogeneity of news amounts to informational bias. It not only may limit people's choices and ability to make decisions as informed participants in the democratic process but may actually lead to the imposition of the prevailing views presented by the news media. Studies on conformity and spiral of silence effects indicate that majority dominance occurs under consensus conditions.

Journalists generally held positive attitudes toward their television stations' local news coverage. The only significant difference was that more group journalists said their stations cover stories that might offend advertisers and other local business interests. But overall a large majority of journalists maintained that their stations air such stories despite critics' assertions that local television news strongly promotes commercial interests.[29]

Their stations' commitment to quality local news coverage was rated as excellent or good by three-fourths of the respondents. This assessment supports research that found neither ownership type diminishes the quality of local television news.[30] Longitudinal research might be undertaken that analyzed the news programming of television stations before and after their purchase by a group. One such study of newspapers found that group acquisition provides readers with "no particular benefits" in amount of local news coverage.[31]

Most journalists' contention that their television stations provide substantive coverage of events and issues in the community supports evidence that shows local news programming largely contains hard news about significant matters.[32] Additionally, a large majority of respondents rejected the idea that their stations' newscasts are too entertainment oriented. This finding is interesting in light of reported increased emphasis on entertainment values as a way to optimize the audience and profits of local television news at the expense of serious journalism.[33]

A third of the respondents agreed that profit seeking adversely affects their stations' local news coverage. The financial expectations of an individual owner or publicly held corporation can indirectly influence what is broadcast. A television station may be forced to sacrifice local coverage for operational profits. Good local coverage demands adequate staff, which translates into bigger news budgets. But one of the easiest and most obvious ways a station manager has to reduce costs is to cut back on the amount of local reporting -- journalists' salaries represent the single largest expenditure in the newsroom budget.

It is troubling that only about four in 10 journalists said their stations' editorials addressed controversial issues in the community. This finding should not be surprising, however, as it is well known that many local broadcasters choose not to air editorials for economic and regulatory reasons. Nevertheless, television stations that fail to run editorials about local controversies not only renege on an important public service obligation but also may deprive their communities of a different perspective.

Twice as many journalists would prefer to work for a group-owned television station. But the fact that a plurality had no preference is interesting when you consider that seven in 10 respondents worked for groups. Those who preferred group stations most often cited career advantages whereas preference for non-group stations most often centered around company and community loyalty. These findings complement a 1990 American Society of Newspaper Editors ownership survey that showed group editors somewhat more confident about their prospects for advancement within their parent company and the greater tendency of independent editors to want to continue working for the same paper.[34]

Although respondents indicated a preference for group ownership and general satisfaction with their stations' local coverage, some significant differences in perception were apparent. On a couple of questions, managers held more positive views about the effects of group ownership on local news than other journalists. They also were somewhat more satisfied with their stations' coverage and less concerned about bottom line pressures on journalistic performance. It might be assumed then that the occasionally more critical views of non-managers will become more moderate as those people move into newsroom management positions. Based on these findings, it does not appear likely that media critics' unhappiness with local television news will be remedied in the near future.

The prevailing agreement among respondents in this study might be explained in part by the fact that they had similar educational backgrounds and therefore shared much of the same media socialization. However, newsroom managers generally had more experience in television news giving them more opportunity for professional socialization. A longitudinal study could sort out the effects of age, salary, professional experience and other factors that contribute to the socialization influence on journalists' attitudes toward group ownership and station performance.

A further apparent reason for the similarity in responses is that group television stations are not much different than non-group operations. Journalists in this study clearly indicated that neither type of station provides better quality local news coverage. It can be concluded, therefore, that the greater financial resources that groups command do not appear to be used to improve the performance of their stations. Unfortunately, current research cannot predict the effects of continued group expansion on the future quality of local television news in this country.

NOTES

1. Multiple Ownership of AM, FM and Television Broadcasting Stations, Memorandum Opinion and Order, 100 FCC 2d 74 (1985).

2. Herbert H. Howard, "Group and Cross-Media Ownership of TV Stations: A 1989 Update," Journalism Quarterly 66:786 (Winter 1989).

3. K. Tim Wulfemeyer, "Developing and Testing Method for Assessing Local TV Newscasts," Journalism Quarterly 59:79-82 (Spring 1982); Churchill L. Roberts and Sandra H. Dickson, "Assessing Quality in Local TV News," Journalism Quarterly 61:392-398 (Summer 1984).

4. Vernon A. Stone, "Changing Profiles of Broadcast News Directors," paper presented at the Association for Education in Journalism and Mass Communication Convention, Norman, Okla., 1986.

5. Ben H. Bagdikian, The Media Monopoly. Boston: Beacon Press, 1990.

6. Harvey D. Shapiro, "Sale of the Century," Channels 7:48-52 (April 1987).

7. Paul D. Baldridge, "Group and Non-Group-Owner Programming: A Comparative Analysis, Journal of Broadcasting 11:125-130 (Spring 1967); John C. Busterna, "Television Station Ownership Effects on Programming and Idea Diversity: Baseline Data," Journal of Media Economics 1:63-74 (Fall 1988).

8. Michael O. Wirth and James A. Wollert, "Public Interest Program Performance of Multimedia-Owned TV Stations," Journalism Quarterly 53:223-230 (Summer 1976).

9. Frank Wolf, Television Programming for News and Public Affairs. New York: Praeger Publishers, 1972.

10. John C. Busterna, "Ownership, CATV and Expenditures for Local Television News," Journalism Quarterly 57:287-291 (Summer 1980).

11. Joseph M. Foley and K. Sue Foley, "Broadcast Profitability: A Comparison of Profits from Broadcast and Non-Broadcast Segments of Public Corporations," Journal of Broadcasting 26:671-683 (Summer 1982).

12. Joe Saltzman, "How to Manage TV News," Human Behavior 8:65 (March 1979).

13. Mark D. Harmon, "Mr. Gates Goes Electronic: The What and Why Questions in Local TV News," Journalism Quarterly 66:857-863 (Winter 1989).

14. Reese Schonfeld, "Pop News, TV's Growth Industry," Channels 3:34 (September-October 1983); Broadcasting, March 30, 1987, pp. 163-164.

15. Conrad Smith, "News Critics, Newsworkers and Local Television News," Journalism Quarterly 65:341-346 (Summer 1988).

16. David H. Ostroff and Karin L. Sandell, "Campaign Coverage by Local TV News in Columbus, Ohio, 1978-1986," Journalism Quarterly 66:114-120 (Spring 1989).

17. Ron Powers, The Newscasters: The News Business as Show Business. New York: St. Martin's Press, 1978; Edwin Diamond, Sign Off: The Last Days of Television. Cambridge, MA: The MIT Press, 1982, pp. 3-25; Broadcasting, Dec. 3, 1984, p. 47 ff.

18. Ian Connell, Lidia Curti and Stuart Hall, "The Unity of Current Affairs Television," Working Papers in Cultural Studies, Center for Contemporary Cultural Studies, University of Birmingham, 1976; Tony Atwater, "Consonance in Local Television News," Journal of Broadcasting & Electronic Media 30:467-472 (Fall 1986).

19. Jarol B. Manheim, "Can Democracy Survive Television?" Journal of Communication 26:84-90 (1976); Elie Abel, What's News? The Media in American Society. San Francisco: Institute for Contemporary Studies, 1981; Lance W. Bennet, News: The Politics of Illusion. New York: Longman, 1982; J. Herbert Altschull, Agents of Power. New York: Longman, 1984.

20. Lee B. Becker and Charles Whitney, "Effects of Mass Media Dependencies: Audience Assessment of Government," Communication Research 7:95-120 (January 1980).

21. K. Tim Wulfemeyer, "A Content Analysis of Local Television Newscasts: Answering the Critics," Journal of Broadcasting 26:481-486 (Winter 1982).

22. Joseph R. Dominick, Alan Wurtzel and Guy Lometti, "Television Journalism vs. Show Business: A Content Analysis of Eyewitness News," Journalism Quarterly 52:213-218 (Summer 1975); William C. Adams, "Local Public Affairs Content of TV News," Journalism Quarterly 55:690-695 (Winter 1978).

23. Joseph Turow, "Local Television: Producing Soft News," Journal of Communication 33:111-123 (Spring 1983).

24. Jung S. Ryu, "Public Affairs and Sensationalism in Local TV News Programs," *Journalism Quarterly* 59:74-78, 137 (Spring 1982); C. Richard Hofstetter and David M. Dozier, "Useful News, Sensational News: Quality, Sensationalism and Local TV News," *Journalism Quarterly* 63:815-820, 853 (Winter 1986).

25. Two open-ended questions were coded; the co-efficient of inter-rater reliability was .91. See Ole R. Holsti, *Content Analysis for the Social Sciences and Humanities*. Reading, MA: Addison-Wesley, 1969, pp. 137-140.

26. Respondents did not include sports reporters or anchors, meteorologists, photographers, bureau employees or technicians.

27. Smith and Becker, *op. cit*.

28. Bagdikian, *op. cit*.

29. Manheim, *op. cit*.; Abel, *op. cit*.; Bennet, *op. cit*.; Altschull, *op. cit*.

30. Busterna, "Ownership, CATV and Expenditures for Local Television News," *op. cit*.

31. Gerald L. Grotta, "Consolidation of Newspapers: What Happens to the Consumer?" *Journalism Quarterly* 48:245-252 (Summer 1971).

32. Wulfemeyer, "A Content Analysis of Local Television Newscasts: Answering the Critics," *op. cit*.; Dominick, Wurtzel and Lometti, *op. cit*.; Adams, *op. cit*.

33. Smith, *op. cit*.; Ostroff and Sandell, *op. cit*.; Powers, *op. cit*.; Diamond, *op. cit*.

34. "1990 Ownership Survey," American Society of Newspaper Editors, April 1990, p. 7.

THE U. S. TELEVISION SYNDICATION INDUSTRY: AN EXAMINATION OF ITS MARKET OPERATIONS

by

Sylvia M. Chan-Olmsted

BEST COPY AVAILABLE

THE U. S. TELEVISION SYNDICATION INDUSTRY: AN EXAMINATION OF ITS MARKET OPERATIONS

The U. S. television syndication industry has developed tremendously during the past decade as a primary alternative to network program distribution. It is estimated that by 1995, the overall industry revenue will exceed $10 billion, comparable to the market for network broadcasting and radio today. Coupled with its role as a major alternative avenue for national advertising spots, the television syndication industry has become a very significant player in the American television media environment. Nevertheless, at the same time, the business of producing and distributing syndicated television is perhaps the most complicated and least understood segment of the television industry. As the Financial Interest and Syndication Rule (FISR) has become a hot topic in the 1990s again, it is time for media researchers to redirect their attentions to untangle the myth of this programming business.

Since every industry has certain unique methods of operation that substantially affect the patterns of competition among the firms contesting for market shares as well as the degree of competitiveness in that industry, an examination of the market operations of the syndicators would provide an excellent starting point for further exploration of the programming industry. This paper investigates the general market conduct of television syndicators and proposes some operational patterns that characterize the industry in an attempt to present an initial comprehensive survey of the industry and thus map a research territory largely untouched before.

Previous Research

Very little academic research has been conducted in the field of television syndication. Among these, Moore's (1979) dissertation in the first-run syndicated television programming was the most extensive work. The focus of the research was on the history and the business of first-run syndication before 1980. Since the industry has experienced a tremendous growth in both technology and economics during the last decade, some of the business practices discussed are no longer applicable. Nevertheless, Moore's work provides an excellent historical overview of the industry. Another similar study about the syndication business before 1980 can be found in the Federal Communications Commission's background report which investigated the programming supply of the networks (FCC, 1980). Again, while the report presents a very complete review of the industry structure and its market operations, it does not tell the story of the syndicators during their fast growth years in the 1980s. Erickson's book (1989) on fist-run syndicated television is a more updated version of the business. However, the book only deals with the "content" of first-run syndicated programming without making any references to the industry operations. Given the scarcity of scholarly work in the area of television syndication, this study has necessarily relied on an extensive examination of industry trade journals, trade associations reports, and media consulting firms' publications during the last ten years.

The Market Operation Patterns of the Syndication Industry

After a lengthy review of the market activities conducted in the syndication industry during the last decade, six operational patterns were concluded to generally characterize the current television syndication business. They are: (1) scarcity of syndication time periods, (2) first-run deficit financing, (3) syndicated product advisors-rep programmers, (4) group buyers and station cooperatives, (5) multistage vertical integration, and (6) barter advertising. These patterns will be examined individually and their impacts to the nature of market competition in the industry will also be addressed.

Scarcity of Syndication Time Periods

As a product distributor/manufacturer needs to negotiate with retailers for the shelf space of its product(s), a television syndicator needs to work out time slots for the exhibition of its program(s) with the client stations. And even more constrained by the fixed shelf space than most of the retailers, which still have the option to expand the physical capacity of their stores, syndicators are faced with an unexpandable maximum of 24 broadcast hours per day, excluding commercials, for television exhibition of their product. Furthermore, as television viewing levels vary throughout the day, different programming shelf space--time slots exhibit different degree of revenue generating potentials to commercial broadcasters.

Because at least 70 percent of the homes in the United States watch television during the prime-time hours, the time period and all the immediately preceding and following slots become very valuable shelf space for broadcast stations. Naturally, when a broadcaster is in the market to purchase a syndicated product, it would examine the formats and content of the prospective programs and try to acquire the one that is most suitable for the time period needed to be filled. Thus, while pricing and marketing their programs, syndicators often assign them "labels of time slots," suggesting the most appropriate exhibition shelf space for reaching the programs' best potential ratings levels. The concept of programming shelf space has become a promotional tool as well as an operational mechanism in the industry. The terminology of "shelf space" for syndicated product, its implication for the business, and the growing scarcity problem will be discussed further.

Programming Shelf Space. Generally, programming shelf space is not indicated by actual hours, but by segments of time periods (dayparts) such as "daytime" and "early fringe." (see Table 1). Most of the segments are descriptive terms of the hours they represent, except the half-hour before "prime time" has become "access" time since it was created under the Prime Time Access Rule (PTAR), with the intention to provide affiliated stations with access to new independently produced programming. Because of audience availability and the absence of network programming, "access" time often represents a significant profit center for the affiliated stations and most of the popular syndicated shows are aired in this period.[1]

Network affiliates normally purchase syndicated programs to fill their "all night," "early evening," "early fringe," "access," and "late night" time slots with the latter three slots providing higher audience

TABLE 1: SYNDICATED PRODUCT SHELF-SPACE

		Network Affiliates	Independent Stations
7:00 AM	**EARLY MORNING**	Network Program	Syndie Shelf Space
9:00 AM	**DAYTIME**	Network Program	Syndie Shelf Space
3:00 PM			(KID FRINGE) 3-5 PM Shelf Space
4:00 PM	**EARLY FRINGE**	Syndie Shelf Space	
5:00 PM			Syndie Shelf Space
6:00 PM	**EARLY EVENING**	Local & Network News	
7:30 PM	**ACCESS**	Syndie Shelf Space	Syndie Shelf Space
8:00 PM	**PRIME TIME**	Network Program	Syndie Shelf Space
11:00 PM	**LATE FRINGE**	Local News	Syndie Shelf Space
11:30 PM	**LATE NIGHT**	Syndie Shelf Space	Syndie Shelf Space
1:00 AM	**ALL NIGHT**	Syndie Shelf Space	Syndie Shelf Space
7:00 AM			

potentials and thus are programed with great deliberations. Among the syndicated programming types, network sit-com reruns seem to be a staple in the "early fringe" time period for the affiliates as research has shown that sit-coms can capture the "early fringe" audience and hold their attention through the "access" time slot (Eastman, Head, and Klein, 1985). After the mid-1980s, some syndicated first-run shows, such as "The Oprah Winfrey Show" and "Geraldo," started to attract large audiences for the time period by reviving the 1970s' "talk show" format; and soon became the favorite programming type of this period. As for the "access" time slot, first-run game shows such as "Wheel of the Fortune" and tabloid programs such as "A Current Affair," often appeal to the affiliates in the major markets, while for smaller markets where the PTAR limitation on reruns does not apply, both sit-com reruns and first-run game and tabloid shows are equally welcomed. Network reruns and talk shows that are not top-rated are often acquired for the early "late night" slot between 11:30 and 12:00, and usually followed by syndicated movie product.

Unlike network affiliates, independent stations have all the periods open for the exhibition of syndicated product, with the time periods from "kid fringe," a daypart normally filled with animated shows, to "late night" offering better viewing levels. As for the affiliates, off-network reruns are also the livelihood for independent stations. They are an especially important vehicle for counterprogramming to the affiliates, who are more constrained by their inflexible network schedules. Since the mid-1980s, because of the successful ratings record demonstrated by many first-run series, independent stations have bought more original syndicated programs than before. With a blend of popular first-run game, tabloid, and talk shows as well as popular network reruns, independent stations are able to fill up their time slots just like the affiliates and have become a more competitive entity in the industry.

Scarcity of Shelf Space. An unprecedented number of successful syndicated product, both network prime-time hit shows and original first-run programs, continues to lock up stations' license fee budgets as well as their key time periods. A scarcity of programming shelf space has become one of the biggest issues for syndicators in the 1980s. The situation is even more evident for the time slots that are often filled with first-run products. A general survey of the 1990 programming plans in the nation's top 10 television markets has shown a general scarcity of available "early fringe" and "access" time periods for new game shows and magazine strips (Broadcasting, Aug 27, 1990, p.36). In addition to the scarcity concern over programming time slots caused by an increase of successful syndicated product is the problem of lessened exhibition space created by a decreased number of station exhibitors. In the period of 1987-1988, many independent stations, squeezed by high programming costs and a soft advertising market, have overextended themselves and been forced into Chapter 11 bankruptcy proceedings, which had left even less room for syndicated programs. Furthermore, more than 10 independent stations were purchased by the Home Shopping Network, thereby removing them form the syndication marketplace. And more stations, faced with the financial difficulty, either switched to less expensive formats such as home shopping or went back to their existing programming inventories, leaving fewer slots in their schedules for syndicated shows.

The continuing roll-out of Fox Broadcasting Company's schedules also added to the tightened market. Because of the additional hours of programming that Fox affiliates are entitled to receive, many stations have hastened the ongoing process of cutting back on their movie libraries and the purchase of syndicated programs in those hours that directly compete with the big three networks. Fox's network programming service for independent stations simply removed a significant number of hours from the syndication marketplace.

The need for station time slots is further complicated by the need for major market clearance.[2] For instance, an "access" time program must be sold to stations in New York, Los Angeles, and Chicago, to have a serious chance of even getting on the air. When these markets are full, a syndicated show has little chance to make it. In fact, the high prices of some hit off-network series have commanded record prices in syndication, which forced stations to schedule these shows in the most lucrative time periods to recoup costs, leaving a new first-run show or modest off-network rerun in an inferior slot with fewer viewers available. In addition, many syndicators of successful shows, such as King World, are demanding two-year or three-year commitments from their client stations, a practice that further inhibits the flow of new products on to the air in key time periods.

The scarcity of programming shelf space, especially, of the most lucrative time periods--"access" and "early fringe" slots, has increased the intensity of competition in the market. Syndicators, particularly first-run syndicators, frequently have to reduce their license fees and give incentives during the negotiation for capturing the best possible time periods from their product exhibitors. A common inducement now includes increased co-op promotional budgets such as cooperative advertising campaign and on-air promotion for client stations. Some sources even reported that some syndicators have been offering "consideration" payments for major market stations who guarantee quality time periods to their programs or "replacement compensation" for stations that replace an existing show with their program.[3] Many syndicators have ended up taking less valuable slots such as "late night" and "morning" that generate much less license fee revenue and/or advertising dollars just to get their feet into the door.

It is believed that the number of successfully launched first-run programs has been declining since 1988. The failure rate for these new shows was said to reach almost 100 percent in 1990 (Broadcasting, October 8, 1990, p. 36). While viewers are aware of the existence of new shows, they seem to have formed a viewing habit and simply prefer watching a returning popular first-run than a similar new program. This phenomenon may be viewed as a natural product differentiation or "branding" barrier which may, to some extent, also forestall successful entry of new syndicated programs.

As the trend continues, there are fewer and fewer opportunities for newcomers to enter the syndication industry. The scarcity problem has also decreased the survivability of the smaller syndicators as they often don't have the leverage and financial resources to gain good time periods in enough markets to launch their new shows. It is believed that, with the barrier of entry and the competitive disadvantage caused by the limited programming shelf space, the level of market concentration has increased and some large syndicators have gained substantial market power in the industry.

First-Run Deficit Financing

Since the mid-1980s, no longer overshadowed by the network rerun product, first-run series have become the main supply of popular product in the syndication market. The original syndicated product has grown from 58 percent of the top-ranked syndicated programs in 1983 to 72 percent of those in 1987 (Barrett, 1989). Unfortunately, accompanying the rising quality and popularity of this product is the problem of deficit financing among the first-run syndicators.

Comparing to the deficit financing for network programs, the companies producing/distributing first-run syndicated products carry much higher risk for their investment, since most of the first-runs don't contain residual value like their network counterparts. In addition, because of the substantial amount of uncertainty involved with first-run syndication, traditionally, investors have shied away from pumping money into this market. Syndicators have long charged that Wall Street has difficulty understanding how the business operates and often underestimate the value of the industry product. The stock-market crash of October 1987 further compounded the deficit financing problem. It became even more difficult for medium and small syndicators to raise any substantial amount of money in the public markets, which forced them to turn to private investors or the banks, where restrictions are heavily attached.

Though capitalization financing has always been an obstacle for original programming syndicators, during the last decade, the cost of production, distribution (satellite transmission), marketing, and promotion of a first-run syndicated product has escalated so much that the syndicators often have to devote a substantial financial commitment to be able to survive in the market. For instance, the cost of producing a pilot and marketing it to stations can easily top $1 million, and that is just the beginning of start-up costs (Haley, 1989). Deficit financing is now a must for launching most new first-run shows, which typically don't turn a profit until their second or third year on the air. Many in the industry believe that first-run syndication now has a multi-year investment horizon. This is especially detrimental to the small and medium-sized syndicators whose chances of breaking even are very remote.

While many first-run syndicators are accepting losses, hoping they can recoup the deficit and yield a profit later, television economics have made it a more difficult task for smaller syndicators. In addition to the inability of taking advantage of the scale economies over distributing, marketing, and promoting a product, smaller syndicators normally don't have the leverage to secure good time periods and high clearance for their new shows. Furthermore, the leverage here can mean more than the marketing clout to clear shows in the key time slots of many stations. For syndicators with deep pockets, they are able to practice a "predatory pricing" strategy, selling a new first-run show at much lower license fees in year one and making up for shortfalls during the next two or three seasons. "A Current Affair" is a good example. The program was sold at a very low price in its initial year and once its "access" time slot was secured and ratings proved it a strong contender, Fox began renewing the show at much higher license fees.

The changing media environment during the last decade has also worked to the major syndicators' advantage. The television market is now crowded with cable television, VCRs, and many more broadcast stations, fighting for shares from a very fragmented audience. The competition has encouraged the production of some high budget first-run syndication like "Star Trek: The Next Generation," which has as much as a $1.3 million production budget per episode (Neal, 1989). In addition to the high-profile drama, many syndicators also started offering original sit-coms, which could cost ten times as much to produce than simple first-run game shows. In general, the deficit financing required to produce a sit-com or hour-long drama is more readily available to those larger syndicators that are associated with major studios. Fearful of large deficits, some syndicators have tried to require stations to commit to some 24 or more episodes (nearly twice the industry norm) before launching production. Nevertheless, it is again difficult for smaller companies to negotiate for such an initial commitment while their limited available resources appear not to guarantee the successful production of many future episodes in the eyes of stations. Furthermore, the greater reliance on barter advertising during the 1980s has transferred more risk from stations to the syndicators,[4] thereby making first-run syndication an even riskier proposition. While the first-run syndication divisions at the major studios have on the whole prospered, the majority of smaller independent syndicators, burdened by the financial difficulty, have either floundered, been forced to merge with competitors, or have entered into co-ventures and other risk-spreading combinations, despite a continued growth in the overall industry revenues.

Product Purchasing Advisors--Rep Programmers

Rep programmers, as commonly known in the industry, are programming specialists employed by national sales representative firms (reps), which provide local stations access to national spot advertising sales. Since a rep firm's market success is critically linked to its station clients' programming performance, reps long ago decided it is in their best interest to ensure that the stations they represent air the strongest, most cost-efficient programming available by assisting in their programming decision-making process. As the programming functions provided by these rep programmers have been crucial in many local stations' purchasing of syndicated products during the last ten years (Haley, 1990), the emergence of the rep programmers and their programming assistance to the station buyers of syndicated programs have become one of the unique market operation patterns of the syndication industry.

The programming service of national sales representatives emerged in the 1960s. When spot advertising became an important source of station revenues, the major reps were eager to establish a good relationship with local stations and help them to build a solid programming base, which, eventually, would help reps in selling their airtime. As the PTAR opened up more prime time access slots for local television programming in the early 1970s, many network affiliates suddenly had to deal with unfamiliar programming decisions and were definitely in need of information and professional advice. Thus, the programming service provided by the rep firms was greatly appreciated by many local stations.

The role of rep programmers was further augmented in the 1980s, when the number of independent stations and the popularity of cable television services were rising. Local stations, faced with increased market competition, were anxiously seeking professional advice in making competitive programming decisions. The skyrocketing program prices at this time made such decisions even more critical and difficult; hence, most station managers turned to reps or other consulting firms to gather information before committing themselves. Though the slow national spot advertising sales had caused some cutbacks at several rep firms and the competition among rep firms became more intense in the mid-1980s, rep firms did not reduce their programming research budget but fought to retain their loyal clients by providing more extensive programming services (Haley, 1990). All of these forces contributed to the emergence and the growth of rep programmers as well as the need for their services. Nevertheless, it was the technological development of overnight ratings for major broadcast markets and the sophisticated computer systems for analyzing rating trends and other market information that really provided these rep programmers a powerful tool to serve the needs of local stations.

Most of the programming services continue to be offered by major rep firms. With the ability to invest in audience research and ratings data, maintain contact with stations in various markets, and keep in constant communication with networks, syndicators, producers, and trade organizations, rep programmers often have sources of information unavailable to their local station clients. For example, rep programmers have access to a large amount of ratings information on network and syndicated programs as well as specialized ratings analyses such as audience flow, audience duplication, and county-by-county studies (Eastman, Head, and Klein, 1985). Based on such a network of programming information and given their industry experience, rep firms are well positioned to not only passively give station clients advice on programming purchasing, scheduling, and even promotion upon request but also actively provide stations programming information and recommendations. Their common goal is to maximize ratings so that both station and rep can earn the highest possible revenue from selling advertising time in the programs.

When giving advice on an off-network rerun, rep programmers evaluate the demographics and audience flow of the strip on their client stations in addition to the review of the program's rating history in all markets measured by Nielsen and Arbitron. Besides giving programming advice, rep programmers also provide stations information about the nature and schedule of network programs, and report to client stations on the availability of off-network programs, new or potential syndicated products, barter programs, specials, sports series, and cooperative programming ventures (Kaley, 1990). Furthermore, the rep programmers often recommend individual programs and appropriate time periods for showing them to client stations based on examination of the represented stations' programming lineups and those of the stations with which they compete locally. In addition to the quantitative research data and the study of local market competition, historical information such as the successful and failed shows of the past few years during similar time periods is frequently utilized for evaluating and estimating audience levels.

In the past ten years, rep programmers' opinions, and the huge volume of research they have generated have had a substantial impact on which syndicated programs receive airtime and how long they last. Especially for first-run syndication with no ratings track record, a positive recommendation from a rep programmer is significant to the launch of the program, and vice versa for negative opinions. The reps' programming advice has grown so important in recent years that tensions between the reps and syndicators are running high. Some syndicators have altered their marketing strategies in trying to lessen reps' influence. For example, it is common for a syndicator to present its product to rep programmers before it is shown to the station buyers, since the reps inform a large number of prospective station buyers and thus make the process a more cost-efficient way of doing business. Recently, as a strategy of reducing the growing influence of the reps, some large syndicators, such as MCA, have stopped bringing new first-run projects to the reps before unveiling them to stations. Instead, they first contact the key, big-market stations. Some syndicators even argued that reps should never evaluate original programs, but should instead simply supply their stations with program availability and acquisition information.

For local broadcast stations, rep programmers complement their programming function by providing a valuable contribution to station programming with tremendous research data and a national perspective on what's happening with syndicated programming. This helps local stations make the best internal and external programming decisions under their resource limitations. To the syndication industry, rep programmers offer syndicators a cost-efficient way of doing business by acting as a middleman for disseminating product information to local stations, big or small, across the country. It is believed that the middleman's supposedly objective opinion would only affect its client stations' programming purchasing decision to a certain extent, since the syndication industry would modify its business practices accordingly to offset any unacceptable impact from the reps. Nevertheless, as there are less and less time periods for stations to fill with syndicated programs, local station managers are getting more cautious in their product purchases and have more time to get outside advice. Thus, even with the pressure from syndicators, rep programmers are expected to continue to play a significant role in their stations' programming functions.

Group Buyers and Station Cooperations

Most commercial broadcast stations are held by group owners, firms or individuals who own more than one station. As of 1990, within the top 100 markets, 535 of the 699 television stations, or 76.5 percent, were group owned. Just like other businesses, station group owners can benefit from "economies of scale" by sharing resources in supply, equipment, and personnel. In this way, broadcast group owners are similar to other chains of media or non-media firms. This is particular true for the purchase of expensive programming. With shared resources, group buyers often have more leverage to buy desirable new programs that otherwise might be snapped up by their competition. On the other hand, it is also more cost-efficient, promising, and profitable for syndicators to negotiate programming sales with group owners than making market-by-market offerings which requires higher overhead expenses and offers less guaranteed programming lineups.

Group Buyers. As a general rule, it is very hard for a syndicated program to survive without a run in the top markets--especially New York, Los Angeles, and Chicago (which reach approximately 17 percent of the nation's television households), and lay the proper foundation for the 70 to 75 percent coverage commercial sponsors look for. And programming decisions in these major markets rest primarily with a few large station groups. Thus, as an incentive, syndicators often give group buyers first pick of products and lower per episode fee for group purchasing deals. As a matter of fact, first-run syndicators and producers generally try to obtain commitment from at least one of the station group owners before a program production is even started. Nevertheless, since different group owners exercise different degree of centralized programming control, the transaction savings realized by both sides is still limited by a group-owned local station's autonomy in making its own product purchase decision to accommodate the specific programming needs of its audience.

Among all station group owners, networks' owned and operated station (O & Os) groups have always been the top-ranked group buyers and whose patronage is crucial to the success of any syndicated product. In essence, networks' O & Os in the top broadcast markets present a tremendous collective influence to syndicators because of their extensive coverage of the total U. S. television households. Since the networks also compete headon with syndicators in generating audience and advertising dollars, their O & Os, to some extent, have to function accordingly. Although the programming purchase function of the O & Os is not generally controlled by their parent networks, these stations undoubtedly operate under corporate guidelines intended to maximize their overall profits. Thus, the programming buying patterns of the O & Os are slightly different from other group owners. For example, when considering purchasing a syndicated product, O & Os are very cautious to whether the program would fit their group image and present an excellent match to their network schedules.

Fox Broadcasting Company is another unique group buyer which consists of six major television stations originally owned by Metromedia station group. With its own studio facilities and television stations, as well as a lineup of some 133 independent stations, Fox reached 91 percent of the U. S. television households in 1990. In general, since Fox has yet to emerge into one of the "big four," its stations' purchasing patterns for syndicated product are more similar to those of other major group owners, such as Tribune Broadcasting, and are not as constrained by network scheduling and image building as the network O & Os.

As discussed previously, before 1986, television syndication was in a seller's market with an excessive demand of product caused by the rapid growth of independent stations. While the demand has quieted down after the trend of station bankruptcies and consolidations during the 1987-1988 period, station group owners are continually challenged by the mounting cost of syndicated programming, especially, the escalating production cost of first-run series. Such changing dynamics in the television industry during the 1980s have fostered a market environment in which station group owners were forced to explore certain operation patterns that would bring out the advantage of resource leverage and scale economies from their ownership.

Station Cooperations. During the last decade, many major group owners have started two unique operation patterns in dealing with the syndication industry: first, some group owners have entered joint ventures to buy original syndicated product; second, certain group owners have, either alone or in partnership with others, assumed the role of syndicators and produced their own first-run programming for exhibition on their stations as well as regional and even national syndication. This kind of in-house production venture is actually not a new experiment for the group owners. As early as the late-1950s, when the production of first-run syndicated products dried up, the Westinghouse group (Group W) joined together in financing and producing some first-run series for their stations.

Through consortium programming buying power, station groups are trying to increase their negotiation leverage through cooperative buying and also to exhibit clout and control in the development of their own programs. For example, the Program Consortium, a co-venture created in 1987 by Group W Stations, Gaylord Broadcasting, and Chris-Craft/United Television, has concentrated on purchasing original prime-time specials needed for their independent stations. And the consortium's 35 percent total clearance has successfully provided an effective inducement for syndicators to respond to their needs. Another major consortium is the R & D Network. Formed in 1988 and assembled by King World, it includes stations owned by Gillett, Scripps-Howard, Group W, Post-Newsweek, King Broadcasting, and Midwest

Communications, which together reach about 30 percent of the U. S. television households (Broadcasting, July 23, 1990, p.58). The consortium, taking advantage of its affiliation with one of the largest syndicators, obtains first-run syndicated products at a considerably lower price by acting as a testing ground for King World's new shows that could eventually air in national syndication.

In searching for ultimate content control of their own programming, many independent station group owners have taken a step forward from the co-purchasing of original programming to the collaboration in its production. It is believed that, through such co-production ventures, their stations would be able to obtain an alternative to expensive off-network programs, pay less for first-run broadcast right and later on, eliminate syndicators' profits when they have enough episodes to "strip" the series.[5] Such cooperatives reflect the increasing aggressiveness of independent stations in programming their airtime during the 1980s.

The New Program Group (NPG) and Program Development Group (PDG) are two examples of co-production ventures. Working with 20th Century/Fox, NPG, a consortium of independent stations, made a hit of "Small Wonder," a half-hour comedy about a little girl robot, which was among the ten highest-rated programs in first-run syndication in 1986. PDG broadcast group comprise of station groups like Golden West, Cox and Gaylord, which co-finance programming ventures ranging from game shows to dramas.[6]

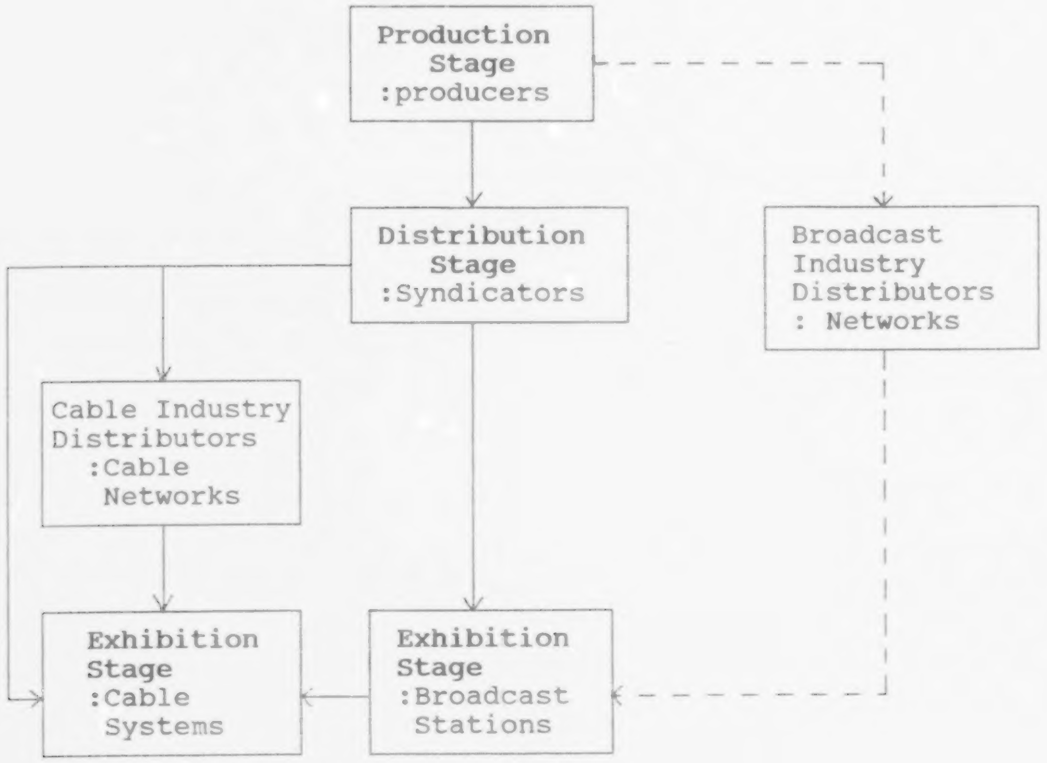
In terms of first-run production on an individual group basis, Group W stations' "PM Magazine" offers a good example. The magazine-format series was initiated by Group W's San Francisco station for its access time slot and later shared by all five Group W stations, each contributed its own local segment to make up the composite magazine program. The show was ultimately distributed to over 100 stations and the station group got to keep the syndicated revenue.

More broadcasters are now involved in co-venturing first-run programming. In fact, major market independent groups now routinely demand a stake in original programs they clear on their outlets. It is believed that, as the production cost continues to escalate, in order to make first-run programming economically feasible on a long-term basis, there will be more alliances among station groups in the broadcast industry. Furthermore, while group owners continue to build their horizontal relationship in cooperative programming, an increased vertical association with some major production entities (studios) is inevitably becoming another major operation pattern of the industry.

Vertical Integration

Vertical integration occurs when a firm, through either internal expansion or external merger, enters two or more sequential production stages of a particular business. In the market for television syndication, producers of network reruns and first-run syndicated programming are classified as the "production" stage, while syndicators are in the "distribution" stage and both broadcast stations and cable systems are in the "exhibition" stage (see Figure 1). The practice of vertical integration has great advantages as it may generate economies in the sharing of technical, managerial, marketing, and information resources, and reduce risks of investment of a firm through

FIGURE 1: SYNDICATION INDUSTRY PRODUCTION STAGES


Production Stage :producers
Distribution Stage :Syndicators
Broadcast Industry Distributors : Networks
Cable Industry Distributors :Cable Networks
Exhibition Stage :Cable Systems
Exhibition Stage :Broadcast Stations

diversification. Furthermore, vertical integration creates greater stability through internalization of decision making and greater self sufficiency. However, some economists also believe that vertical integration can increase the prospects of monopoly power in both markets by "foreclosing" competing firms from access to suppliers or to customers.[7] In addition to the foreclosure theory, it is said that potential competition may also be injured by vertical integration as it may raise barriers to entry by requiring new competitors in either market to enter both stages simultaneously rather than only one (Caves, 1982).

In essence, syndication firms may use vertical integration as a strategy to obtain competitive advantage over their rivals. And because of the growing importance of such practices in the market's competition process, it has become one of the unique operation patterns of the industry that also deserves scrutinization.

In the mid-1980s, the broadcast industry underwent a dramatic restructuring due to a frantic buying and selling of media properties concomitant with liberalization of group ownership rules. After the bankruptcies and the debt-amassing ownership changes quieted down, the market has fewer, larger and more powerful companies and many broadcasters have significantly enhanced their station holdings with a larger broadcast base and new stations in desirable markets. Coupled with the consolidation of rep firms and the mergers between syndicators in the 1985-1988 period, more media conglomerates were formed with a syndication business interest. In other words, the trend of mergers and expansions in the last decade has created many vertically integrated syndicators through financial affiliation with firms in either upstream or downstream production stages. As the cost of programming continues to rise and the shelf space of the products becomes even more limited, it is believed, if a syndicator is studio-based, well capitalized, and/or associated with a broadcast group or other exhibitors, it will posses substantial competitive advantage over those independent firms operating only as distributors in the market.

The financial association between production and distribution stages of the syndication industry has existed since the early days of the FISR regulation, which prohibits the traditional television networks from launching similar vertical integration. Because of the ruling, the well healed Hollywood studios were offered the opportunities of establishing a closer relationship with independent producers through the financing of their programming productions, and later acting as dealer (syndicator) of their products. In general, by vertically integrating with a major studio through long term contracts, a syndicator is able to gain better access to network rerun products and movie packages as well as production and financial resources for first-run syndication. In 1989, eight out of the top 10 syndicators are associated with a major movie studio (see Table 2). Only King World and LBS, the veterans of first-run syndication who distribute successful shows like "Wheel of Fortune" and "Tales from the Darkside," respectively, are immune from such a vertical affiliation.

In terms of the integration between syndicators and exhibitors, considering the importance of clearance and viable time slot to the success of a syndicated product, it is believed that the downstream integration would benefit a syndicator by providing a greater degree of self sufficiency through guaranteed lineups and better access to key

TABLE 2: VERTICAL INTEGRATION OF MAJOR SYNDICATORS

1989 Rank	Syndicator	Movie Studio	TV Station	Cable Network	Cable System
1	Time-Warner	Yes	No[8]	Yes	Yes
2	MCA	Yes	Yes	Yes	No
3	King World	No	Yes	No	No
4	Paramount	Yes	Yes	Yes	No
4	Viacom	Yes*	Yes	Yes	Yes
6	Columbia	Yes	No	No	No
7	Fox	Yes	Yes	No	No
8	Turner	Yes*	Yes	Yes	No
9	LBS	No	No	No	No
10	Buena Vista	Yes	Yes	Yes	No
11	Orion	Yes	No	No	No
11	Reeves	Yes	No	No	No
13	Tribune	No	Yes	No	No
14	Group W (Westinghouse)	No	Yes	Yes	No
15	Multimedia	No	Yes	No	Yes
16	Worldvision	Yes**	Yes	No	No
17	MGM/UA	Yes	No	No	No

Sources: 1989 Channels/Programmer's Handbook and 1990 Channels Field Guide

All rankings are based on 1989 company revenues; companies such as Teletrib, IAS, and Camelot that operate only as barter reps for other producers or/and syndicators are not included on the list.

*Turner is regarded as vertically integrated with movie studios due to its MGM and RKO film collection and its Turner Home Entertainment Production division. Viacom is also treated the same way with its shares in MGM and Orion production facilities.

**Worldvision owns an animation studio.

time periods for its original first-run products, especially, if the vertically integrated station is in a major broadcast market. Furthermore, station ownership can offer a syndicator more direct information about their audience programming preferences and even furnish a market for pretesting its products. Nevertheless, syndicators are not expected to just run their own programming on their stations because they have to maximize their revenues or profits by programming their stations with the best product available and affordable. Internal programming supply is likely to be preferred only if all other market factors are considered to be equal. In 1989, only three out of the top 10 syndicators are not vertically integrated with at least one television station. Even the greatest exception to this rule, King World, bought a broadcast station in 1989 and expects to buy more. In fact, the largest independent station group with outlets in six major markets, Tribune Broadcasting, is one of the biggest players in first-run syndication and Paramount, the veteran and major studio-syndicator, now owns TVX Broadcast Group which operates five important UHF stations.

In addition to the integration with broadcast exhibitors, many syndicators are vertically affiliated with another exhibition window--cable distributors and exhibitors. As a matter of fact, four out of the top five syndicators in 1989 are integrated with at least one cable network and both Time-Warner and Viacom, the number one and number four syndicator, have ownership of cable networks as well as cable systems. Furthermore, some syndicators such as Viacom, the distributor of the megahit, "The Cosby Show," are not only active players in the cable industry by owning cable systems and/or popular cable program networks, they also own broadcast stations. The increasing integration between syndicators and their cable exhibition window seems to suggest a healthy, continued extension of syndicated product market into the cable television industry.

Vertical integration between two production stages is actually no news to the industry anymore. Many syndicators are now financially associated with both upstream as well as down-stream firms in the market. Among the top 10 syndicators in 1989, only King World, LBS, and Columbia are not vertically integrated with both producers and exhibitors. Most of the syndicators that are associated with major movie studios are also integrated with broadcast stations. Interesting is that major studios, kept from owning the theaters in the past, seem to have learned to turn to the television market for exhibition outlets. It is observed that even the mid-level players in the business are looking to combine strengths in broadcasting and programming distribution.

Some in the business believe that vertical integration is "the most important thing going on in syndication today" (Channels, 1989). It is true that many syndicators have derived substantial competitive advantage through their vertical relationship with firms in other stages. Though no significant foreclosure of access either to broadcast stations or syndicators has yet emerged, as the trend of conservative station buying and the scarcity of time slots continue, the vertical integration phenomenon has evidently been working to the advantage of bigger syndicators, leaving smaller independent syndicators fighting hard just to stay in the business.

Barter Advertising

Traditionally, program license fees collected on a market by market basis were the only major revenue source for television syndicators. Though existing since the early days of television syndication, barter advertising practices never gained respectability and did not become an important revenue source for syndicators until the 1980s. During the last decade, barter has grown tremendously and become an important option for advertisers (see Table 3). It was estimated that, with a compound annual growth rate of 19.8 percent, barter syndication will comprise 25 percent of syndication net revenues by 1995 (Channels, 1989). The tremendous growth of barter practices during the last decade has characterized today's syndication market and made barter one of the unique business operation patterns of the industry.

Since a station can generate revenues from the sale of its advertising inventory adjacent and within a syndicated program, when a station barters for a syndicated show, it is giving up its revenue generating opportunities to the syndicator of the program. In general, barter advertising takes the forms of straight barter, cash-barter combination, and time-banking barter arrangement. A straight barter allows a syndicator to distribute a program with already inserted commercials and receives no cash payment from stations, while a cash-barter combination offers a hybrid form of barter advertising, wherein the syndicator receives cash for the program but also retains some commercial time within the program for sale to national advertisers. Finally, not used as often by advertisers, time-banking syndications

TABLE 3: GROWTH RATES OF NETWORK, SPOT, AND BARTER ADVERTISING*

Year	Network Ad Growth Rate	Spot Ad Growth Rate	Barter Ad Growth Rate
1980-1981	8.0%	14.6	50.0
1981-1982	10.9	16.5	100.0
1982-1983	13.2	10.6	100.0
1983-1984	19.6	13.7	40.0
1984-1985	-3.1	9.4	23.8
1985-1986	3.5	9.4	15.4
1986-1987	1.9	4.2	27.0
1987-1988	7.9	4.4	18.2
1988-1989	1.4	3.5	35.4
1989-1990	4.8	6.4	56.0

*Figures based on the calendar year revenue calculations

Sources: Compiled from Broadcasting, July 23, 1990, p. 68, and Television Bureau of Advertising Trends in GNP, Ad Volume, TV ad Volume 1960-1995 are barter deals in which no commercials are inserted in the syndicated program but syndicators exchange their programs for commercial spots scheduled in other programs. Under such a "tradeout" scheme, stations do not make any cash payment to syndicators and are able to retain all the advertising inventory in the syndicated programs, however, in return, they have to trade in advertising time in other programs specified by the syndicators.

Before the 1980s, barter syndication was perceived to be a less desirable vehicle for advertisers because it did not generate a large number of national audience and was applied mainly on a straight barter basis for cheap filler programs. After the implementation of PTAR, as the syndication industry began to catch a larger national audience and have access to important broadcast time slots, advertisers' attention became redirected to this national advertising alternative.

While syndicators have long discovered the revenue benefit of withholding one or more advertising minutes per show and the advantage of cost reduction through increased sales of barter advertising, broadcast stations did not jump into the barter bandwagon until the mid-1980s. Due to the expansion of UHF stations and the growing threat posed by cable television during the period before 1987, broadcast stations, especially independent stations, in their efforts to compete for audience, made extensive investments in syndicated programming. Coupled with the frenzy of buyouts and mergers in many large broadcast markets, many weak independent stations went bankrupt, others entered the late-1980s with serious debt burdens and restricted cashflows.

Though stations still consider barter versus cash purchase by comparing their cost-to-return ratios, as programming prices continue to escalate and stations still fight for rating generated syndicated programs with limited budgets, barter advertising provides a favorable arrangement of program purchasing that answers to many stations' budgetary exigencies. In reality, as high price shows like "The Cosby Show," "Who's the Boss," and "Wheel of Fortune" soak up their program-acquisition budgets, stations are more than willing to accept barter terms when signing programming contracts. This situation is particularly obvious for independent stations. Added to the financial condition were the success stories of many first-run syndicated shows such as "The Oprah Winfrey Show," which provided a great advertising vehicle and pulled barter further away from the sluggish growth in 1986.

The role of barter advertising has also changed in recent years. While it has become a standard for popular first-run syndicators to use barter or barter-cash combination terms, successful off-network reruns are increasingly required to contain presold commercial announcements to ease the burden of high license fees charged by many hit sit-coms such as "The Cosby Show" and "Who's the Boss." For these expensive rerun products, syndicators often make specific arrangements in delivering their programs as well as the accompanying commercials. For example, Viacom feeds episodes of "The Cosby Show" by satellite so the program and the one minute presold commercials can be aired on the exact day and date agreed to in the contract (Channels Field Guide, 1987). Even off-network hour shows, which were formerly sold on cash-only terms, have started to be offered on a cash-barter combination terms. For example, LBS Communications has provided some hard-to-market hour shows such as "Crazy Like a Fox" under a barter spilt of five minutes for LBS, seven for the station (Hall, 1989).

While barter advertising is becoming a popular form of transaction between the programming buyers and the seller, it is sometimes used as a negotiation point to get station managers in desirable markets to clear a program. However, since barter advertising is very time-consuming and only becomes cost-efficient with larger volumes of transactions, most of the smaller syndicators do not participate in such sales. In essence, though barter practices have spread the risk associated with programming development from syndicators to more parties by providing access to advertising sponsors, the trend may have benefited the large syndicators more than the small ones.

Conclusions

In general, the significant role syndicators have played in our television environment, the industry's tremendous development during the past decade, and the limited research that has been documented in this field form the basis and rationale for conducting a new comprehensive study of the U. S. television syndication industry. Accordingly, the emphasis of this paper was placed on the research of the industry's operational characteristics during its most active ten years in the last decade.

In essence, the television syndication industry has been operating under an increasingly tighter domestic marketplace in terms of programming shelf space, while sufficient financial backing has become a crucial market factor of survivability for many first-run syndicators. With the growth of rep programmers, cooperative programming production and purchasing among station groups, and vertical integration between firms in various production stages, many new forces have also evolved and entered into the supply and demand equilibrium of the market. Furthermore, as barter advertising became an important vehicle in generating industry revenues, the syndication industry has grown from a simple programming market into a much more complex media business.

The operational patterns generalized in this paper suggest the essential competitive market practices of the syndication industry during the last decade and in the near future. It is believed that the discovery of these patterns has furnished a starting point as well as research focuses for further market analysis of the syndication industry. In addition, with such industry information, one can estimate syndicators' competitive positions by evaluating their status in terms of these operational patterns.

Since the cable and international syndication markets are anticipated to be the growth area of the industry in the 1990s (Terranova, 1989), more research attention should be placed on the investigation of the syndicated programming in these two markets. Also, an empirical economic analysis that studies the factor of scale economies or vertical integration of the syndicators would make a meaningful contribution to the understanding of the market competition in the television syndication industry.

Notes

1 The Prime Time Access Rule, implemented in 1970 by the Federal Communications Commission, confines network entertainment programming to a maximum of three of the four prime-time hours (7:00 P.M. to 11:00 P.M. Eastern time). Thus, the first hour of the prime time is called the "access" hour. The rule also prohibits affiliated stations in the top 50 broadcast markets from airing off-network reruns during the one-hour "access" time.

2. The rate of clearance of a syndicated program means the percentage of the U.S. television households that are reached by the stations that carry the program.

3. Broadcasting reported that WNBC-TV was once given "replacement compensation" from King World to clear "Inside Edition" to make up for any early ratings losses caused by the departure of LBS Communications' game show, "Family Feud," from access time slot. For more information see Broadcasting, July 9, 1990, p. 35-38.

4. When a syndicator reduces the cash license fee of its programs in exchange for its client stations' commercial spots for sale in the national advertising market, it actually carries more financial risk.

5. Strip a program means to air it across-the-board at the same time Monday through Friday. Television stations normally prefer to strip their first-run products to capitalize on the audience's viewing habit.

6. One famous early co-production venture was Operation Prime Time (OPT), a consortium of stations which was drawn together for the purpose of developing expensive, original, dramatic programs comparable to network prime-time programs. Though the OPT venture goes back to the mid 1970s, it was especially active in the early and mid 1980s. Not only independent stations but some network affiliates also participated in the plan, which has resulted in high national clearance for their programs.

7. For example, in the syndication market, a syndicator's acquisition of a number of broadcast stations could possibly disadvantage other rival syndicators by precluding them from supplying programming to its stations, or on the other hand, disadvantage the competitors of its stations by foreclosing access to or increasing the costs of its programming to these buyers.

8. Warner's 40 percent in BHC Inc. was spun off to shareholders as a public company when the Time-Warner merger was completed. Thus, the new conglomerate is no longer associated with any broadcast station.

References

Advertiser Syndicated Television Association. A Guide to Advertiser-Supported Syndication. New York: ASTA, 1990.

Barrett, Marianne. "The Financial Interest and Syndication Rules and Examination." Unpublished paper, 1990.

Behar, Richard. "Bill Cosby versus Bill Cosby." Forbes 14 Nov. 1988: 45-46.

Block, Richard C. "History of Syndie, A Short Look Back." Variety 17 Feb. 1988: 77.

____________ . "Picking on the Little Guys." Channels Feb 1989: 76-79.

Caves, Richard. American Industry: Structure, Conduct, Performance. 5th ed. Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1982.

Chan-Olmsted, Sylvia. "The Market Dynamics of the U. S. Television Syndication Industry: An Examination of Its Regulatory Environment and Market Competition, 1980-1990." Unpublished dissertation, Michigan State University, 1991.

Cray, Ed. "The Toughest Year." Channels Feb. 1988: 44-46.

Crittende, Ann. "Coke's Entertainment Formula." Channels, September 1986: 32-42.

Damiano, Stephen. "First-Run '89: Reworking the Hits." Channels/Progrmmer's Handbook 1989: 44-46.

Duncan, Tim. Executive Director, Advertiser Syndicated Television Association. Personal interview. Sep. 25, 1990.

Eastman, S. T., S. W. Head, and L. Klein. Broadcast/Cable Programming: Strategies and Practices. 2nd ed. Belmont, California: Wadsworth, 1985.

Erickson, Hal. Syndicated Television: The First Forty Years, 1947-1987. Jefferson, North Carolina: McFarland & Co., Inc., 1989.

"Fox Affiliates Fear PTAR Liability." Broadcasting 9 Jul. 1990: 58.

"Groups Add Clout to Program Development." Channels Programmer's Handbook 1989: 47.

"Group Owners Sing Programming Blues." Broadcasting 24 Apr. 1989: 103.

Haley, Kathy. "Syndicators Beware: Growth Ahead." Channels Oct. 1989: 40-41.

___________ . "Racing-To Stay in the Game." Channels Programmer's Handbook 1989: 27-31.

___________ . "The Poobahs of Programming." Channels Feb. 1990: 66-72.

Hall, Carol. "Deal-Makers Pull The Purse Strings." Channels Feb. 1989: 83.

"King World Takes R & D Read on Reids." Broadcasting 23 July 1990: 58.

Koch, Neal. "No Laughing Matter: Shrinking Shelf Space and Program Prices Make Cost-Cutting Serious Business." Channels Feb. 1988: 48-49.

___________ . "Don't Want No Small Producers Around Here." Channels Oct. 1989: 30.

Mandese, Joe. "Syndication: What Advertisers Want." Marketing & Media Decisions Jan. 1989: 30-40.

___________ . "Testing the Ad Waters." Marketing & Media Decisions Feb. 1988: 87-92.

Moore, Barbara A. "Syndication of First-Run Television Programming: Its Development and Current Status." Disseration Ohio Unviersity, 1979.

Solomon, Harvey. "Off-net Hours: Life After Cable?" Channels Programmer's Handbook 1989: 48-50.

"Some Syndicators Cutting Back on INTV Presence." Broadcasting 3 Sep. 1990: 27-28.

"Syndicated Shows get Mix of Slots in TV's Top 10." Broadcasting 27 Aug. 1990: 36-38.

"Syndication Hard Ball Getting Harder." Broadcasting 5 Nov. 1990: 44-45.

Syndication 1995. Ed. Kathy Haley. New York: Channels Magazine, 1989.

"Syndicators Vie for Little Pitchers with Big Wallets." Broadcasting 11 June 1990: 44-45.

Television Bureau of Advertising. *Trends in Advertising Volume*. New York: TVB, 1990.

———. *Trends in GNP, Ad Volume, TV Ad Volume 1960-1995*. New York: TVB, 1990.

Terranova, Joe. "Cable Syndication Spending Up 750% By '95." *Multichannel News* 9 Oct. 1989: 18.

"The State of Syndication." *Channels* Feb. 1987: 72-73.

United States. Federal Communications Commission. *New Television Networks: Entry Jurisdiction, Ownership and Regulation.* 2 vols. Washington: GPO, 1980.

Vitale, Joseph. "The Name of the Game: Low Cost, High Clearance." *Channels Field Guide* 1987: 48-49.

Vogel, Harold L. *Entertainment Industry Economics: A Guide for Financial Analysis.* Cambridge: Cambridge University Press, 1986.

Walklin, Larry J. "Federal Communications Commission

"1987 Field Guide to the Electronic Environment." *Channels,* Dec. 1986: 13-15, 48-50.

"1989 Field Guide to the Electronic Environment." *Channels,* Dec. 1988: 40-44, 74, 84-88, 110-112.

"1990 Field Guide to the Electronic Environment." *Channels*, Dec. 1989: 22-27, 46-50, 66, 74-75, 86.

BIG SNOWBALLS ON BIG HILLS:

ESCALATION THEORY IN MEDIA MANAGEMENT

Fiona A.E. McQuarrie
PhD Program, Business
2-24 Faculty of Business Building
University of Alberta
Edmonton, Alberta, Canada
T6G 2R6
(403) 492-2361

Fiona McQuarrie is a PhD candidate in organizational analysis, University of Alberta. Thanks to Dr. Bob Hinings, University of Alberta, and Tom Barrett for their comments on previous drafts.

BIG SNOWBALLS ON BIG HILLS: ESCALATION THEORY IN MEDIA MANAGEMENT

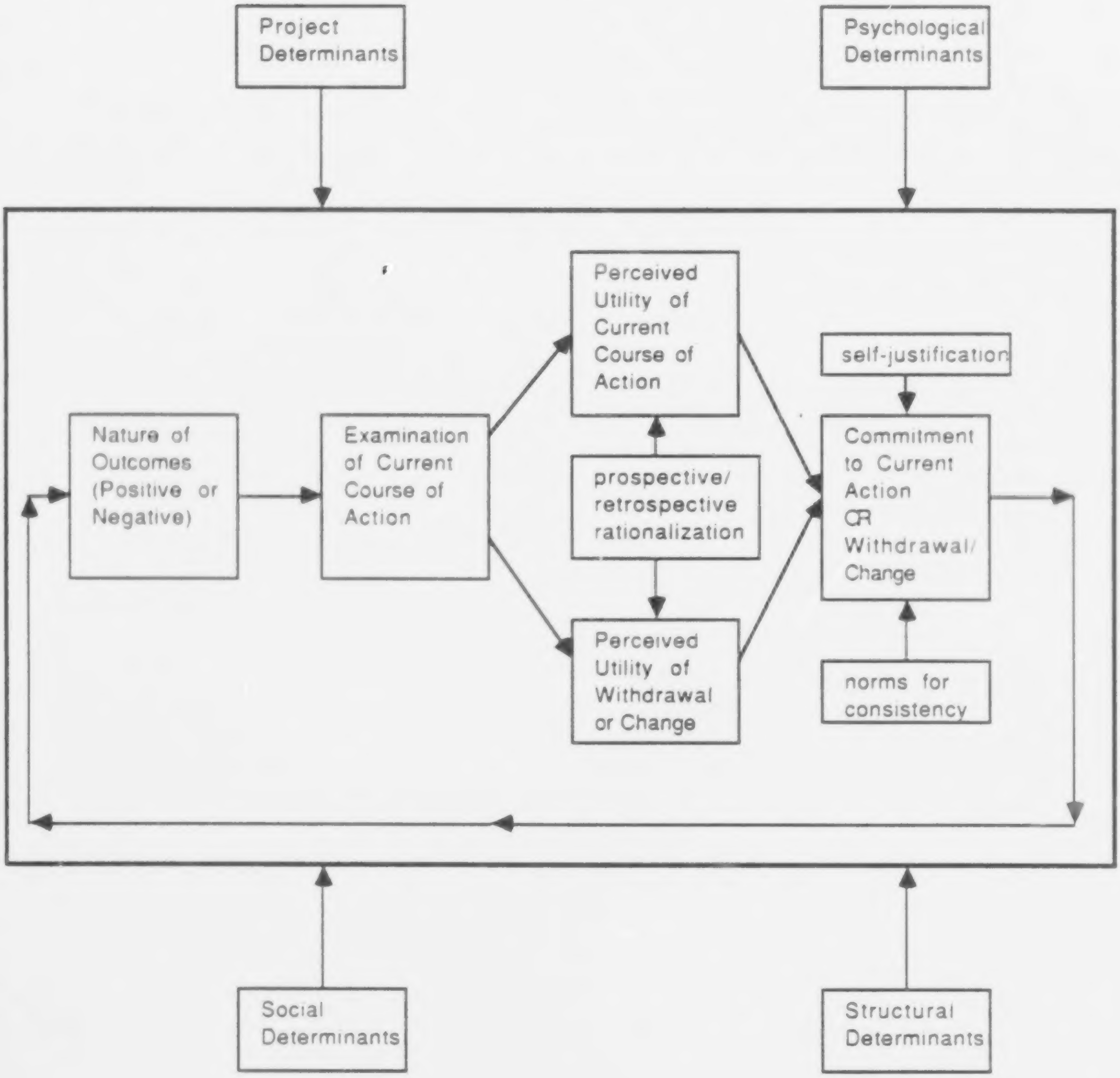
Escalation theory, a topic of research in the organizational behaviour field for the last twenty years, describes situations where individuals or organizations must decide "whether to cease a questionable line of behaviour or to commit more effort and resources into making that effort pay off"[1]. Escalation situations center around a cycle of decision-making, starting with an initial decision to commit resources to a particular project and followed by a series of further choices between committing more resources or withdrawing from the project and suffering the losses of resources already invested.

Four factors in the creation of an escalation situation have been described[2]: motivation to justify previous decisions, norms for consistent behaviour, and perceived probability and value of future outcomes. Motivation to justify previous decisions, also known as retrospective rationality, pressures the decision-maker to continue in his or her commitment, in order that he or she will not appear to have been irrational in making previous commitment; likewise, norms for consistent behaviour are forms of external pressure acting on the decision-maker to continue with his or her previous course of action. Consistent behaviour may also mean acting as decision-makers in the same position or a similar situation have done. Perceived probability and values of future outcomes, also known as prospective rationality, affect the escalation cycle by providing an indication of the outcomes to be obtained by proceeding with or ending the project. It is possible that decision-makers will distort these probabilities and values in order to rationalize their decisions. Other determinants which may affect escalation are the nature of the project, the psychological attributes of individuals involved, and the social and structural influences on the project.[3] An outline of the escalation process is shown in Figure 1.

The classic study of an escalation situation[4] described Expo 86, the world's fair held in Vancouver, Canada. When the fair was first proposed in 1978, the estimated deficit was $6 million; currently, with revenues such as the sale of the fair site coming in much lower than estimated, the deficit stands at approximately $300 million. There was heated opposition to the fair from community groups in Vancouver, constant wrangling between municipal and provincial governments, and extensive problems with construction of the fair. Initial estimates of attendance and revenue generation were shown to be far from realistic, and, at one point, the president of the fair recommended that it be cancelled due to excessive cost. However, the main decision-maker, Premier Bill Bennett, stuck with the project and insisted that it go ahead - which it did, complete with many of the negative

FIGURE I

The Escalation Cycle
(after Staw, 1987)


Project Determinants
Psychological Determinants
Nature of Outcomes (Positive or Negative)
Examination of Current Course of Action
Perceived Utility of Current Course of Action
prospective/ retrospective rationalization
Perceived Utility of Withdrawal or Change
self-justification
Commitment to Current Action OR Withdrawal/ Change
norms for consistency
Social Determinants
Structural Determinants

consequences which Bennett refused to acknowledge as possibilities.

The Expo 86 story illustrates many of the principles of escalation theory. The fair was seen as a good promotion for business in British Columbia, thus giving much weight in decisions to future probabilities and values of outcomes. The distribution of misinformation about the fair's costs and revenues can be seen as justification for previous decisions and support for certain perceptions of future returns. Norms for consistent behaviour and psychological factors can be seen in the strong commitment to the fair displayed by Expo officials and Premier Bennett, whose determination to see the fair built led some critics to accuse him of having an "edifice complex". Social pressures were apparent when it became clear that Bennett's cancelling of the fair would be damaging to his political career. Likewise, by the time the possibility of cancellation was discussed, Expo 86 had become a corporation with a large staff and a huge budget; thus, structural inertia worked against cancellation. In retrospect, the Expo 86 situation shows that escalation can almost take on a life of its own, with commitments to a project becoming so powerful that even strongly negative information cannot stop the cycle of commitment and escalation.

The escalation model is useful in studying all levels of decision-making, from the individual (for example, whether or not to proceed with an expensive program of higher education with an unknown future outcome) to the national or international (for example, the Bay of Pigs crisis). It also has relevance for decision-makers in media for several reasons. Media managers are faced with a fast-paced, constantly changing marketplace[5] and thus must frequently decide whether or not to commit to a new project. Starting new media projects often involves a substantial outlay of initial costs and difficulty in predicting future outcomes or revenues. And, because of the media's highly visible role in and powerful influence on society, the success or failure of projects can have a tremendous impact. These factors tend to result in decision-making processes that, rather than being the choice of a single individual on a single occasion, involve many individuals in the making of many decisions. Thus, it is entirely possible that, because of the multi-faceted and progressive nature of decision-making, escalation may occur.

The purpose of this paper is to demonstrate the relevance of escalation theory as a means of analyzing decision-making processes in media companies. Two recent events in the American newspaper market provide excellent examples of escalation in this field. The creation of USA TODAY was a substantial gamble on the part of the Gannett

Company, involving a series of crucial decisions and increasing use of the company's resources, but the commitment shown by Gannett president Al Neuharth pushed the company to continue and eventually succeed with the project. The sale of the Louisville Courier-Journal and associated media companies was an escalation situation driven by psychological factors - intra-family battling - resulting in a decision which the newspaper's president, Barry Bingham Sr., committed himself to as the only way to resolve family problems. While these are only two examples of media decision-making, they are also representative of two common decisions in media management: the decision whether or not to invest in a new product and the decision whether or not to continue with an existing organizational structure. Each of these escalation situations will be discussed in detail.

USA TODAY: Taking Expensive Chances[6]

The first step in the escalation process that led to USA TODAY was made in November, 1979, when Gannett chairperson Al Neuharth persuaded the company's chief executives to budget a million dollars for "research and development". Neuharth had previously been involved in SoDak Sports, a statewide sports newspaper, and TODAY, a regional newspaper in Florida; he believed that Gannett was the only company with the resources and skills to produce a nationwide newspaper, and that such a product would be the means to make Gannett a major force in the newspaper industry.

Once Neuharth obtained his start-up funding, he set a task force to work exploring the logistics of producing a nationwide newspaper. The task force discovered that the only way to make such a product profitable would be to offer colour advertising, in order to take national advertising away from magazines. This considerably increased the cost and technical requirements of the project, which in turn made the Gannett "bean counters" nervous about its viability. By the time the task force reported to the Gannett board of directors in late 1980, those within Gannett who were aware of the project were sharply divided. One group, led by Neuharth and composed mostly of individuals with news-editorial backgrounds, believed that the national newspaper would be a good product that could attract advertisers. The other group, led by Gannett chief financial officer Doug MacCorkindale, thought the project was too expensive and dangerous for the company to undertake.

Neuharth had thought through future possibilities prior to the board meeting at which the task force's preliminary report was presented. A further $3.5 million was budgeted to develop a prototype, after which the Gannett board would have to decide whether or not to go ahead with the project. Like the company, the board was divided on the potential of the project, particularly since the start-up cost was estimated at $100 million. The prototype development went ahead under the name of GANSAT (Gannett Satellite Information Network), and borrowed staff from other Gannett newspapers to assist in the process. Many Gannett papers complained about losing their best staffers to the project and believed that the company was putting resources into the new project to the detriment of the established publications. Reaction to the USA TODAY prototypes was negative from journalists and positive from potential readers.

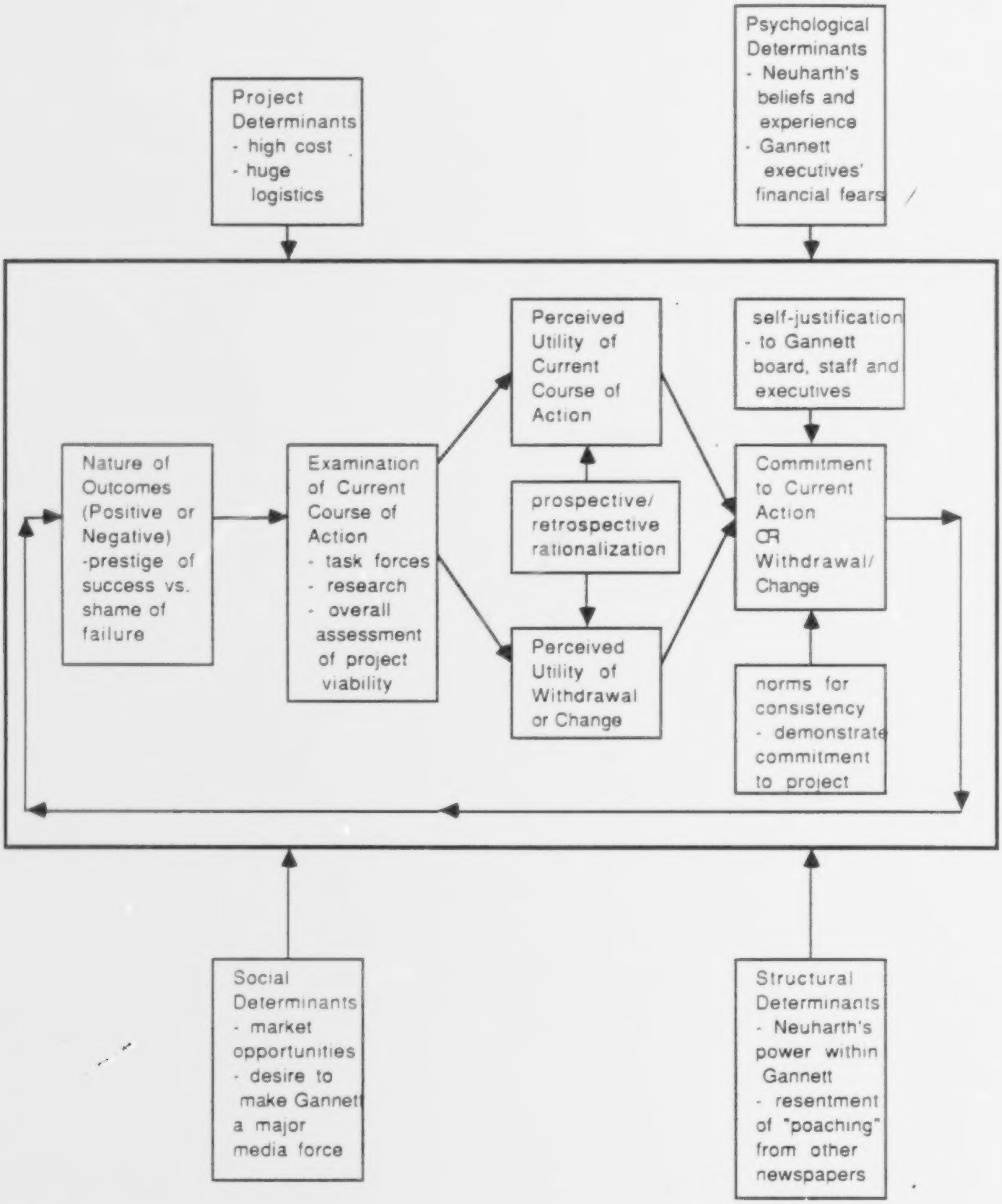
Neuharth told the Gannett board meeting in August 1981 that a financial plan for USA TODAY would be presented to them in December, at which time he would also recommend whether or not to proceed with the project. The plan showed that the national newspaper would lose Gannett at least $30 million a year in its first two years, at a time when the economy was weak and Gannett's revenues were down. But Neuharth's commitment, as ever, was unwavering, despite his informal survey of the Gannett Office of the Chief Executive committee which showed three top executives against the project and only one in favour. Nevertheless, at the December meeting, the Gannett board voted unanimously to proceed with the project.

The actual requirements of preparing the USA TODAY launch were enormous: substantial investment in new offset presses, establishment of a headquarters and staff, development of circulation networks and street vending boxes. The losses for 1983, the first year of production, turned out to be $121 million; despite a huge circulation gain, circulation and billing problems and a high return rate of unsold copies had hampered the new newspaper. Consequently, advertisers were nervous about committing themselves, and advertising revenues were $5.7 million short of the initial projection of $22 million. Perhaps in anticipation of these outcomes, Neuharth had formed another task force in late 1982 to study what could be salvaged if USA TODAY was abandoned. In 1984, when cumulative losses were projected at $400 million by the end of 1987, consideration was given to closing the newspaper down, but, according to one company director, a decision to do so "was never imminent". The paper first turned a profit in May of 1987 and now has 6.3 million daily readers.

The escalation cycle resulting in the creation and continuation of USA TODAY is depicted in Figure II. As illustrated, there was a repeating cycle of decision-making, with continued reviews of the feasibility of the product. The decision-making cycle was also constantly affected by the nature of the project, the psychological determinants of the individuals involved, forces in the marketplace, and structural factors within the Gannett Company.

FIGURE II

The Escalation Cycle of USA TODAY


Project Determinants
- high cost
- huge logistics
Psychological Determinants
- Neuharth's beliefs and experience
- Gannett executives' financial fears
Perceived Utility of Current Course of Action
self-justification
- to Gannett board, staff and executives
Nature of Outcomes (Positive or Negative)
-prestige of success vs. shame of failure
Examination of Current Course of Action
- task forces
- research
- overall assessment of project viability
prospective/ retrospective rationalization
Commitment to Current Action OR Withdrawal/ Change
Perceived Utility of Withdrawal or Change
norms for consistency
- demonstrate commitment to project
Social Determinants
- market opportunities
- desire to make Gannett a major media force
Structural Determinants
- Neuharth's power within Gannett
- resentment of "poaching" from other newspapers

Undoubtedly, the factor which most affected Gannett's commitment to an ever more expensive and doubtful project was the psychological and structural influence of Al Neuharth. From his previous experience, he was convinced that a daily national newspaper could be produced and was appealing to a sufficiently large audience. He also had enough power within Gannett to withstand the negative opinions of the Gannett financial executives and other factions within the company. These two attributes helped Neuharth overcome the impact of the daunting estimates of expenses and logistics needed to launch USA TODAY.

The escalation cycle of decision-making progressed from Neuharth's initial idea to the commitment of development and start-up funds by the Gannett Company and, finally, to the decision by the Gannett board to go ahead with the initial launch (and, subsequently, their support of the project by not discussing its closure). At each stage, the current course of action was examined through task forces, research by Gannett staffers and, when feasible, outside agencies, and general assessments of the project's feasibility. The perceived utilities of proceeding or stopping were then assessed, usually by Neuharth in conjunction with project executives and then at a Gannett board meeting. Notably, Neuharth frequently cast doubt on negative financial or circulation projections by deliberately playing up the positive aspects to the board, questioning the sources, or, by one report, "simply refusing to believe them". Thus, prospective and retrospective rationality were in a large part created and controlled by Neuharth.

As the commitment to the project increased, both the cost and the risk of USA TODAY increased. Gannett stood to lose financially and politically by abandoning the project, but the costs of continuing were also so great that the company was almost in a position of losing either way. Gannett was a very profitable company that was probably the only media company in the United States with the financial and physical wherewithal to produce a national daily mass-circulation newspaper; USA TODAY was an important project because of the status and power its success would give Gannett in the media industry, and also because of the potential payoffs if USA TODAY were to become the predominant nationally distributed newspaper. However, if USA TODAY failed, Gannett would be stuck with a large financial loss and a tarnished image. It was likely the power and commitment of Neuharth that kept the escalation cycle going with commitments to current courses of action and ensured that USA TODAY would finally be produced.

The Louisville Courier-Journal: A Family Affair[7]

When Sallie Bingham was forced off the board of the Louisville Courier-Journal by her brother, Barry Bingham Jr., in March, 1984, she set in motion an escalating cycle of events that resulted in the sale of the newspaper and its associated companies (a television station, two radio stations, and a printing firm). Ironically, the issue that led to her departure was her refusal to sign a buy-back agreement stating that any stock in the family-owned companies would be offered to family members before it was sold to outsiders. Her father's reaction to Sallie's refusal was to say that he would sell the newspapers rather than let an outsider run them. As it turned out, that was exactly what happened.

After her removal from the board, Sallie decided to sell her stock in the companies, and with the agreement of the other family members obtained a valuation of the companies. She felt the figure produced was too low, and hired a second firm which valued the companies at double the previous estimate. However, the remaining family members made no response to an offer of Sallie's shares at this price (approximately $42 million); her father instead formed a voting trust with the other family members through which he controlled 95% of the companies' stock, and eventually offered Sallie $25 million. She refused to sell at that price; her brother said that the company could not afford to buy her out at her original asking price, even though he was advised that the company could easily afford to carry the debt. He instead offered to swap his stock in the Courier-Journal with his sister Eleanor's stock in the family's television station and paying Sallie what she wanted with the proceeds. Legal problems with the family trust hampered this move, and it was eventually abandoned because Barry Jr. and Eleanor could not agree on the terms. Barry Sr. warned the children that if they could not agree amongst themselves he would put the companies up for sale.

A further counteroffer of $32 million from Sallie was also refused by Barry Jr. Another plan, to sell the television station and printing firm and use the proceeds to buy out the two sisters, was rejected by Eleanor in late 1985, who felt it was a plot to completely remove her and her sister from the company's operations. The matter was resolved in January, 1986. Barry Bingham Sr. told his family that he was selling the newspaper and its associated companies in order to effect "healing" in the family, and made the announcement public along with a statement by his son calling the decision "irrational" and "a betrayal". The Courier-Journal and its sister newspaper, the Lousiville Times, eventually sold for $307 million; the associated companies brought in $125.7 million.

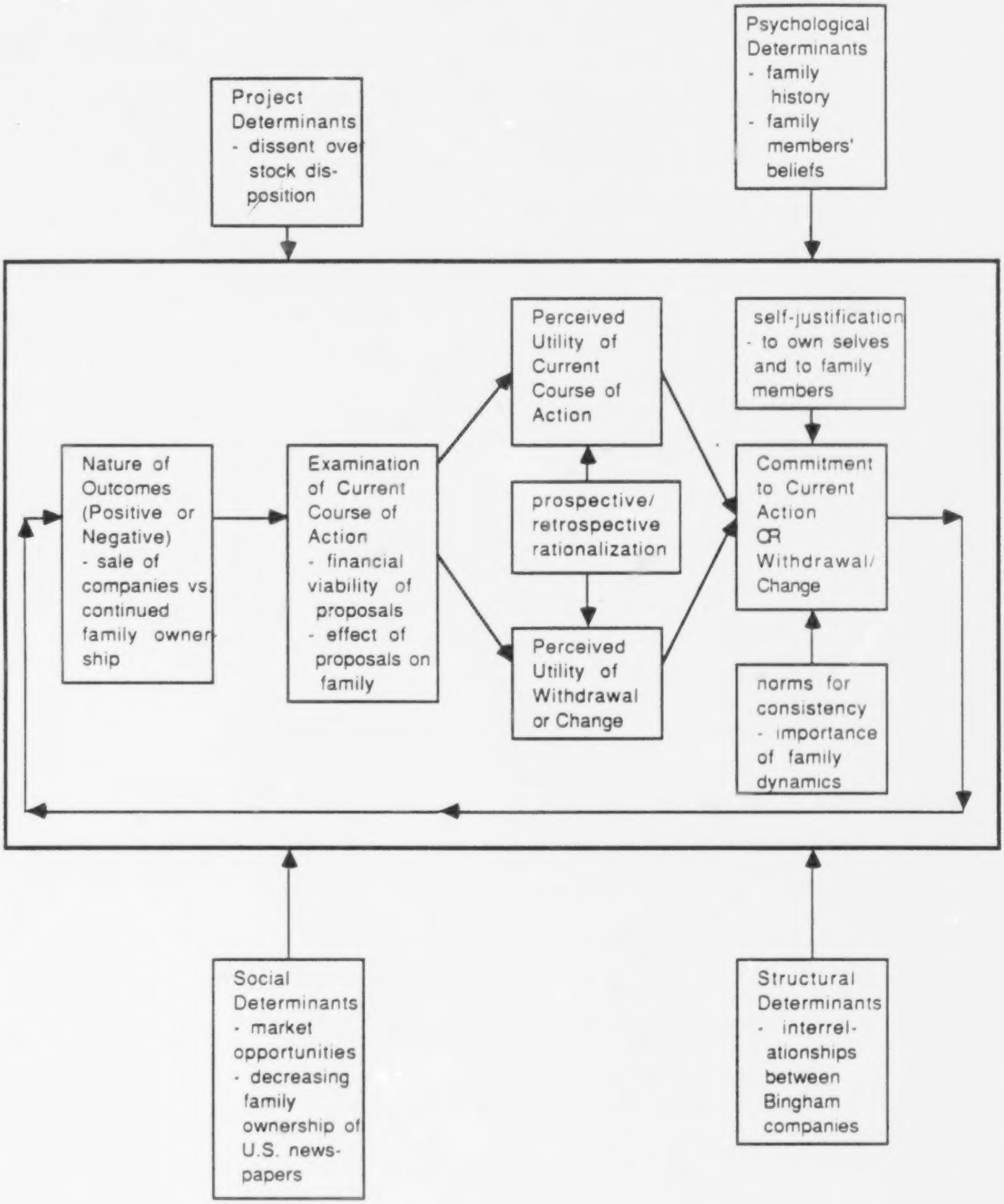
The escalation cycle of the Courier-Journal sale is outlined in Figure III. The decision-making cycle in this case was perhaps not as orderly or as planned as in the case of USA TODAY, but, as in that situation, there was again a repeating cycle of decision-making affected by outside determinants. There was dissent over whether or how the companies would be divided among family members, psychological pressures from family tensions, pressures from the market, and considerations of the interrelationships between the various Bingham companies.

The most important factor in the cycle was probably the tensions between the various family members, which affected the escalation process at every stage, and, perhaps more than any other factor, determined the perceived utility of various alternatives and the choices made at each decision point. While all the family members had emotional attachments to the companies, they were also committed to their positions in their struggles with each other, and those commitments affected the choices that eventually led to the sale of the companies.

Complicating the scenario were the high value of the companies and the fact that the Bingham holdings became a

FIGURE III

The Escalation Cycle of the Louisville Courier-Journal Sale


Project Determinants
- dissent ove stock disposition
Psychological Determinants
- family history
- family members' beliefs
Nature of Outcomes (Positive or Negative)
- sale of companies vs. continued family ownership
Examination of Current Course of Action
- financial viability of proposals
- effect of proposals on family
Perceived Utility of Current Course of Action
prospective/ retrospective rationalization
Perceived Utility of Withdrawal or Change
self-justification
- to own selves and to family members
Commitment to Current Action OR Withdrawal/ Change
norms for consistency
- importance of family dynamics
Social Determinants
- market opportunities
- decreasing family ownership of U.S. newspapers
Structural Determinants
- interrelationships between Bingham companies

target for purchasers as soon as the family dissent became public. In the previous year, two other family- owned newspapers - the Des Moines Register and Tribune and the Detroit News - had been sold, due to dissent among the third generation of the family. The Bingham holdings appeared to be (and were) headed for the same fate, which made the social determinants of market opportunity and decreasing family newspaper ownership particularly important factors in the escalation scenario.

Because of family strife, the psychological determinants were also especially powerful in this escalation cycle. The actions of the three Bingham children were shaped by their family backgrounds and by their personal beliefs. Sallie Bingham's feminist perspective saw any attempt to buy her out for a less than reasonable price as one more manifestation of the Bingham patriarchy's attempts to keep women out of power in the Bingham companies - and she would not give in to it. Her brother Barry had always resented Sallie's apparent superiority and refused to give her anything in excess of what he felt her holdings were worth. The third child, Eleanor, tried to be a peacemaker within the family, but was also struggling with her own questions of how much she wanted to be involved in the companies and with whom in the family she should align herself.

The matter of the companies' disposition, which was constantly altering in the attempt to find a reasonable solution, changed the project determinants; the true nature of the project was not completely clear until Barry Bingham Sr. announced the sale. The battles over valuation of the companies also affected prospective and retrospective rationalization, since each family member had a different perspective on the escalation cycle and a different idea of what the companies were worth. In summary, the sale of the Louisville Courier-Journal was the resolution of an escalation cycle that parallelled the increasing fighting within the Bingham family, and, while the sale may have ended the escalation of fighting over the properties, it likely did not end the escalation of fighting within the family.

Discussion and Conclusion

Escalation theory is a valuable framework for understanding decisions involving mass media because of its acknowledgement of the recurrent nature of decision-making and the influence of previous decisions on current decisions. As Figure I shows, decision-making in escalation is not a one-time-only process but a series of decisions within a feedback loop, in which commitment to a particular action influences the subsequent perceptions of outcomes and their payoffs. Because of the large expenses incurred by most media companies, it is important for decision-makers in those companies to recognize the subjective nature of financial and circulation predictions. Escalation theory makes clear how these predictions and subsequent actions are influenced by individual perceptions, as well as by factors external to the decision-making loop which may be beyond the control of the individual decision-maker; an awareness of the subjectivity of predictions may lead to more accurate information and more rational decision-making.

Escalation theory is particularly important in helping to determine how a media company could end up committed to a project of dubious value. If a company is caught up in an escalation cycle, the project itself may almost become of secondary value; as in the Louisville Courier-Journal example, the project becomes a pawn in a power struggle between individuals, and its eventual fate may be one which none of the individuals involved may have consciously desired. To a lesser extent, USA TODAY was also an example of a project used as a means to gain power; however, the outcome was much more favourable to the company. In the particular case of a media company, internal struggles are perhaps more public than they would be otherwise given the public nature of media products, and social and structural determinants - those which are least controllable by the decision-makers - may become the most influential in the escalation process. The ability to identify those factors which hold the most sway in decision-making cycles, and to plan actions accordingly, can also be of great benefit to media managers.

Perhaps the most valuable aspect of escalation theory for media companies, however, is in making individuals and companies aware of when decision-making has mutated into an escalation cycle, and the possible negative consequences. If decision-makers recognize an escalation cycle, they can determine the factors at work in their own situation and determine if escalation is a healthy or productive process in such a case. If not, recognizing that escalation is occurring offers an opportunity to trace the escalation process and identify where the cycle can be broken.

A possible example of a broken escalation cycle, although full information on the situation is not yet available, might be the closure of the daily sports newspaper *The National*. When the newspaper ceased operations in June, 1991, 17 months after it had begun, circulation had only reached one-third of the level needed to break even, and losses ranged between $100 million and $150 million[8]. The owners of *The National* may have decided that the loss of already invested resources was preferable to continuing in a cycle of decisions which would likely require greater investments and possible greater losses in the near future. Examination of this case as an example of a halted escalation cycle may be worthwhile as more information becomes available.

Solutions for escalation have been suggested in previous literature[9], and several are particularly relevant for media organizations. One way of breaking escalation is to remove the key decision-makers who are trapped in the escalation cycle, or, alternately, dividing decision-making responsibility between several groups of individuals. Since communication between departments is of crucial importance in making media companies responsive to the challenges of the changing market[10], allocating decision-making power among several departments or individuals would encourage meaningful communication and possibly enhance the organization's operations. Another means of avoiding escalation is to rely on unambiguous data and to increase the impact of negative feedback in order to make the consequences of decisions more apparent. This could easily be done by media companies by using information from polling, market research, and circulation/viewership audit firms; in fact, media companies are perhaps more fortunate in this regard than other organizations since they have access to numerous external sources of unbiased information.

The overall purpose of this discussion is not to suggest that escalation is always a process with negative outcomes. If the process is guided by committed individuals with the media organization's best interests at heart, escalation can result in innovation and profitable or significant new ventures which may have been passed over by more timid decision-makers. However, escalation can be damaging to a company if it is unrecognized and uncontrolled. Media managers, because of the public nature of their work, the outlays involved, and their product's impact on society, must be aware of escalation: how it works, what factors influence its cycles, and where, if necessary, it can be broken. Only then can very expensive and very embarrassing disasters be avoided.

FOOTNOTES

[1] Staw, Barry M. (1981), "The Escalation of Commitment to A Course of Action", Academy of Management Review, 6(4), 1981, p. 577-587.

[2] Staw, op. cit.

[3] Staw, Barry M., and Jerry Ross (1987), "Behaviour in Escalation Situations: Antecedents, Prototypes, and Solutions", Research in Organizational Behaviour, 9, p. 39-78.

[4] Ross, Jerry, and Barry M. Staw (1986), "Expo 86: An Escalation Prototype", Administrative Science Quarterly, 31(2), p. 274-297.

[5] Lavine, John M., and Daniel B. Wackman, Managing Media Organizations (New York: Longman, 1988).

[6] Historical information in this section is summarized from Neuharth, Al, Confessions of an SOB (New York: Doubleday, 1989), and Prichard, Peter S., The Making of McPaper: The Inside Story of USA TODAY (Kansas City: Andrews and McMeel, 1987).

[7] Historical information in this section is summarized from Bingham, Sallie, Passion and Prejudice: A Family Memoir (New York: Knopf, 1989), and Brenner, Marie, House of Dreams: The Bingham Family of Louisville (New York: Random House, 1988).

[8] The Vancouver Sun , "Media: The National", June 13, 1991, p. C13.

[9] Staw and Ross, op. cit.

[10] Willis, Jim, Surviving in the Newspaper Business: Newspaper Management in Turbulent Times (New York: Praeger, 1988).

Station Trafficking in Radio: The Impact of Deregulation

by

Benjamin J. Bates
Assistant Professor and Director
Institute for Communications Research
School of Mass Communications
Texas Tech University
Lubbock, TX 79409-3082
(806) 742-2315

Presented to the Media Management and Economics Division,
1991 AEJMC Conference, Boston MA.

Copyright, 1991. Benjamin J. Bates. All rights reserved.

Station Trafficking in Radio:
The Impact of Deregulation

In 1980, the Federal Communications Commission (FCC) began to deregulate broadcasting. The general argument behind deregulation was that the broadcasting industry had become sufficiently competitive that market forces would ensure that broadcasters served the public interest (Fowler & Brenner, 1982; Krasnow & Stern, 1984). Since then, several critics have argued that such assumptions and arguments are invalid; that in the absence of regulation, the marketplace has not enforced the public interest standard (Aufderheide, 1990; Ferrall, 1989; Kerkman, Kunkel, Huston, Wright & Pinon, 1990; Kunkel, 1988; Levin, 1986; Ray, 1990; Smythe, 1982). On the other hand, some empirical studies have provided evidence supporting the basic assumptions underlying deregulation (Bates, 1988, 1989, 1990). As Congress and the FCC once again start to examine broadcast regulation, it becomes increasingly important to resolve the apparent dilemma regarding the appropriateness, and efficacy, of deregulation.

Virtually all of the focus on deregulation and related research, however, has focussed on television, arguably the least competitive of the broadcast industries. This raises the question of whether the FCC's deregulatory efforts have been more effective in the more competitive broadcast industry: radio. This study will examine that question by considering the impact of one particular deregulatory action: the revocation of the "Anti-Trafficking" rule in 1982. One reason for focussing on this particular action is that it provides an opportunity to extend, to commercial radio, an earlier analysis (Bates, 1989) of the effects of the revocation on television. As such, it will also allow a comparison of the two basic components of American broadcasting.

Background

The "Anti-Trafficking" rule was promulgated in the early 1960s, in part as a response to concerns about broadcasters becoming more concerned about resale than public service. That is, it was feared that owners would seek to maximize short-term profits in order to inflate station prices and to maximize their return on investment, rather than seeking to serve the public interest and maximize long-term station income (Cherington, Hirsch, & Brandwein, 1971). By requiring stations to be held for a minimum of three years (and thus through at least one renewal), the FCC hoped to encourage owners to emphasize long-term behavior and the public interest.

When the FCC revoked the rule in 1982, they did so under the general argument that competition would require owners to familiarize themselves with the community and its special interests and needs, and to seek to meet some or all of those needs (Krasnow & Stern, 1984). They argued, in essence, that competitive forces would require all stations to behave in a basically similar manner, regardless of any intent to resell the station. There would be no incentive for those seeking to trade, or traffic, in stations to behave any differently than other owners. That position is also supported by economic price theory, which would suggest that any station's price would be a function of discounted future profits, and thus not influenced by current behavior.

In contrast, critics of the revocation argued that elimination of the rule opened the ownership ranks to "traders" who inflated prices for their stations by quick profit-taking (Ferrall, 1989; Ray, 1990). This criticism is somewhat supported by the conventional wisdom that the best predictor of future profits is current profits, and thus a station's value is based on current profit levels. The criticism is also supported somewhat by the increases in both the number of stations traded and their aggregate value since deregulation began. However, it is difficult to isolate the impact of "trafficking" on total sales, as the expansion of the ownership limits has also encouraged station trading, particularly among more highly valued stations.

There is generally little debate over whether or not radio station owners, or other broadcasters, seek to maximize economic returns. What raises the concern over trafficking is the manner in which owners seek to do so. There are two basic sources of economic returns available to station owners: income from station operations, and profits realized from increases in station value in a sale. Critics suggest that "traffickers" are concerned primarily with the second form of value. In broadcasting, though, a station's value is primarily based in terms of its ability to generate profits, rather than the value of any physical assets. In fact, one study of television station values found that station prices were basically a function of station profits (Blau, Johnson, & Ksobeich, 1976; Deutschmann & Emery, 1961). Thus, "traffickers" are also interested in maximizing profits as a means of increasing station value. "Traffickers", though, emphasize short term profits rather than considering a longer income stream as would more long term owners. The public interest concern comes from the argument that, in their search for short term profits, "traffickers" act contrary to the public interest.

The debate over "trafficking" and the need for regulations against it seems to boil down to a conflict between two basic sets of assumptions regarding station owners' behavior and the marketplace. "Anti-traffickers" assume that "traffickers" have the intent to inflate profits and values, and that the market provides them the monopoly power to act in such a manner. That is, that "traffickers" both seek to inflate the values of their stations and are successful in doing so. Proponents of deregulation assume that, regardless of the station owners' intentions, the market no longer provides owners the monopoly power which would permit them to act differently. Therefore, "traffickers" would be unsuccessful in any attempts to inflate prices, and would thus have no incentive to behave in such a manner. This suggests that the relative validity of the two arguments can be examined by examining the degree to which those who traffic in stations will earn extraordinary returns from the sale of their stations.

In other words, under the "Anti-trafficking" assumptions, owners who traffic in stations will earn higher rates of returns than would those owners who hold on to their stations for longer periods of time. Whereas the "deregulation" assumptions would imply that both traffickers and non-traffickers would earn the same rates of return. If one assumes a constant annual rate of return (and a constant "trafficking" bonus"), then the resale value of a radio station can be illustrated by the following model:

$$Y = X^{(1 + R_1 * T + R_2 * Z * T)}$$

where Y = Resale price of station

X = Original price (purchase price) of station

T = Number of years the station was held by owner

Z = 1 if "trafficker", 0 otherwise

R_1 = Basic annual rate of return

R_2 = Additional rate returned to "traffickers"

By transforming several variables in the equation, this model can be rewritten as

$$\ln(Y)/\ln(X) - 1 = R_1 * T + R_2 * Z * T$$

which allows R_1 and R_2 to be estimated through the use of linear regression techniques.

The assumptions, and theory, of those supporting deregulation would predict that, under such a model, that R_2 would be zero, or even negative.[1] In contrast, the position of those critical of the revocation of the "Anti-trafficking" rule would be that in the absence of that rule, R_2 would be positive. Thus, the two arguments can be tested through the examination of the actual value of the "trafficker's" additional rate of return.

Methods

The estimation of rates of return, using the above model, requires information on sales prices for radio stations. This study obtained information on radio station sales and prices from a recent NAB report on trends in radio station sales (Schutz, 1990). This report covers all "open market" station transfers filed with the FCC from January 1988 through June 1990, and reports data on the station, sales price, and previous sales of that station.[2] A total of 1847 transfers were listed. Of those, 1291 were reported as resales.

There are two limitations to this data. First, when multiple stations are sold, the prices of individual stations are not broken out. In addition, the price given in FCC documents does not necessarily reflect the true value of the stations sold. The reported cash price can be influenced by the conditions of the sale and the specific assets transfered. Transfers might involve assumption of undisclosed liabilities, or the transfer of stock, or partial sales. The NAB report attempted to control for some of the potential discrepancy between listed price and true value by reporting only "open market" sales. This study also excluded partial sales, multiple sales,and/or sales involving assets or liabilities with unknown values, in order to minimize any price/value discrepancies. This reduced the final data set used to estimate the model to some 587 cases for which both sales prices were available.[3] Despite these problems, however, the FCC filings remain the best available source for broadcast station sales and values

---

[1] The value of R_2 would be negative if the action of "traffickers" to increase short term profits were different from other owners in a competitive situation. Under competition, the other owners' behavior would be optimal, and any different behavior on the part of "traffickers" would put them at a competitive disadvantage.

[2] "Open market" sales are those where a willing buyer and seller mutually agree on a value for the property, and are thus most likely to reflect the true value of stations.

Data were also gathered on station features, such as frequency, power, and operation schedule. The dates of transfer filings were also noted, as well as the date of the most recent previous transfer. Using this information, "traffickers" were defined, following the old FCC rules, as those who resold their stations within three years. Due to time constraints, additional information on station markets and station owners were not included in this study.

Finally, it should be noted that this sample of station sales does constitute a census of qualified sales during this period. Thus, to one extent, any differences found in the data are valid, true and significant. However, there was a considerable amount of missing data, which did reduce the effective data set to a subsample of the census, and there is arguably a fair amount of error inherent in the price measures which form the foundation for this model. Thus, significance levels will be included in reports, and all statistical results will be treated as estimates.

Results

As can be seen in Table 1, there is considerable variability in radio station sales prices in the sample, ranging from a low of $250 for a daytime-only AM station, to a high of $70.6 million for a single AM/FM combo.[4] Table 1 also shows that there is a considerable amount of "trafficking" going on, accounting for roughly 38% of all resales and almost 27% of all transfers. There seems to be a particularly high level of turnover in FM stations, with the average period between sales of just over 4.5 years. Although not all of this "trafficking" would have been prohibited under the old FCC rules, this still indicates that there is a substantial amount of station trafficking going on in the radio industry.

[Table 1 about here]

While the high proportion of resales within three years does indicate that station trafficking is occurring within the radio industry, the mere fact that such sales occur does not, in itself, indicate whether such behavior is detrimental, and thus needs to be regulated. As outlined above, the problematic behavior attributed to "traffickers" pertains to their seeking of supranormal profits, which in turn permits "traffickers" to obtain higher rates of return on their investment than would other station owners. Table 2 displays the results of the fitting of a model designed to test for the presence of higher rates of return for "traffickers" to data on radio station sales from 1988 to 1990.

---

[3] The vast bulk of the removed data consisted of multiple sales for which the prices of individual stations was not broken out.

[4] The differences between median and average sales prices also indicates a highly skewed distribution of prices. However, it should be noted that this study focuses on the growth rate of prices, not their absolute value. Thus, a skewed price distribution poses no serious statistical difficulties.

[Table 2 about here]

When the model was fitted to the entire data set, it showed that station owners received an average rate of growth in station value of approximately 0.24% per year.[5] The fitted model also indicated that "traffickers" received roughly an additional 0.3% return per year (or less than 1% of station value in total). However, the "trafficker's" estimated return was not significantly different from zero at normal levels ($t = .954, p = .3406$). Thus, while the overall model seemed to indicate some additional benefit accruing to traffickers, that benefit was neither large nor statistically significant.

There is a potential problem with that model, however, as it aggregates radio station types, and assumes that all follow the same basic growth model. There are, however, significant differences in both the market structure for AM and FM stations, and in their economic prospects. Evidence from the television industry (Bates, 1988, 1991) indicates the value of disaggregating disparate station types. Therefore, separate models were fitted to subsets containing AM station sales, FM station sales, and sales of AM/FM combinations. The results of these fitted models are also presented in Table 2.

The results of the disaggregated models indicates that there are important differences among the three markets. For example, the estimated coefficients for the AM market indicates that station prices tended to decline over time. And the prices for "trafficked" stations declined even faster, although it must be mentioned that the coefficient was again not significantly different from zero ($t = -.960, p = .3382$). The model fitted to the AM/FM combination sales generally follows that of the total sample, with the "traffickers" return estimates being positive, but not statistically significant ($t = .673, p = .5016$). The estimated average rate of growth in station value, however, was higher, amounting to roughly 0.6% per year.

The model fitted to the FM only sales, though, did show a statistically significant additional rate of return falling to "traffickers" ($t = 2.911, p = .0042$), amounting to an additional 1.7% increase in value each year, on top of the normal 0.6% growth rate. This would suggest that "traffickers" do gain additional benefits from rapid turnover, and any particular behavior which trafficking engenders.

---

[5] In deriving the model, the possible influence of other measured factors on the price of radio stations was considered through their inclusion in the model. However, none of the additional factors in the data set proved to contribute significantly to the basic model, and thus were not included in the final model.

Conclusions

Overall, one would have to conclude that the evidence with regard to station trafficking in the radio industry is mixed. Station trafficking does occur, and at a fairly high rate. However, it would also seem that if "traffickers" do behave differently, if they do try to maximize short term profits and resale value, they are generally not very successfull in their endeavors. In this, this study reflects the results of earlier research on the effects of the revocation of the "Anti-trafficking" rule on television station sales prices (Bates, 1989).

The results for radio are not only mixed, they vary among station types. FM stations traffickers able to obtain a statistically significant increase in resale value, although the increase is only in the range of 1-2% per year. On the other hand, the fitted models suggest that AM "traffickers" lose even more money than do non-"traffickers". AM/FM combinations fall somewhere in the middle, as might be expected from the AM and FM models.

These results raise some doubts about the effectiveness of station trafficking as a economic strategy. In part, the results can be construed as supporting the deregulation argument; that even if "traffickers" attempt to behave differently, competitive forces in the marketplace would seem to prevent such behavior from being successful. The difference in AM and FM results might then be partially explained by the fact that the FM market, where entry is restricted by tables of assignments, is somewhat less competitive than the AM market (where entry is generally easier). Thus, competitive forces might be more generally effective in AM markets than in FM markets, preventing "trafficking" behavior from being successful in increasing station value.

There is, however, an alternative explanation to these results. Conventional wisdom suggests that the prospects for FM has boomed in recent years, while the AM radio market is collapsing. The prospects for growth in the FM radio industry could be driving speculation in FM, which would both drive up prices and increase turnover. This would account for both the more frequent turnover (and trafficking) in FM stations, and the positive R_2 value. In contrast, the economic difficulties of AM could be causing stations to fail and speculators to move out of that portion of the radio industry. This would also tend to increase turnover, and would suggest that the most rapid turnover (i.e. "traffickers") might be fed by distressed and failed stations, which would also account for the negative R_2 value for AM stations.

There was one additional result of this study which was fairly surprising. The various fitted models all suggested that while station values changed over time, they generally did not change rapidly. Overall, station values increased only 0.24% per year, a rate much worse than that of inflation. AM station values tended to decline, and even the fastest growing segment, AM/FM combinations, only showed an average increase in value of 0.63% per year. While the general trend of station prices is relatively stable, it should be added that individual station prices are quite volatile, as indicated by the generally low levels of explained variance, or adjusted R^2 (see Table 2). Such results suggest the value of further research into the causes of station prices.

In conclusion, then, it would appear that the debate over the need for regulation controlling station trafficking has not been definitively settled. While the results do not address the issue of owner intents or behaviors directly, it does provide some evidence as to the general outcome of owner intentions and behaviors. And that evidence does provide some indication that "traffickers", particularly in the FM industry, do acheive higher economic returns than other owners. However, for all but FM those increased returns are not statistically significant, and the FM increases may also reflect recent improvements in the economic conditions of the FM industry. While the data provide some evidence in support of the assumptions and arguments of those concerned about the effects of station trafficking, that evidence is not conclusive. Further, as noted above, the evidence does not examine whether the behavior of "traffickers" is contrary to the public interest, nor, in fact, does it consider whether such behavior does take place.

On the other hand, the evidence does suggest that there are some benefits to station trafficking, and that the radio marketplace is not competitive enough to prevent such behaviors from being able to gain supranormal returns. While it is doubtful that broadcast markets will ever be perfectly competitive as long as access to the broadcast bands is limited by federal regulation, the question of whether broadcast markets are competitive enough to preclude the need for regulation still remains. And so the debate continues.

References

Aufderheide, P. (1990). After the Fairness Doctrine: Controversial broadcast programming and the public interest. **Journal of Communication, 40(3)**, 47-72.

Bates, B. J. (1988). The impact of deregulation on TV station prices. **Journal of Media Economics, 1**, 5-12.

Bates, B. J. (1989). Deregulation and station trafficking. **Journal of Broadcasting & Electronic Media, 33**, 317-323.

Bates, B. J. (1990, August). **Concentration in local television markets**. Paper presented to the 1990 AEJMC conference, Minneapolis MN.

Bates, B. J. (1991). Models, methods and assumptions: The usefulness of a multi-method approach to the examination of influence in TV pricing. **Journal of Media Economics, 4(1)**, 49-66.

Blau, R. T., Johnson, R. C., & Ksobeich, K. J. (1976). Determinants of TV station economic value. **Journal of Broadcasting, 20**, 197-207.

Cherington, P. W., Hirsch, L. V., & Brandwein, R. (1971). **Television station ownership: A case study of Federal agency regulation**. New York: Hastings House.

Deutschmann, P. J., & Emery, W. B. (1961). Sale and value of radio stations. **Journal of Broadcasting, 5**, 219-228.

Ferrall, V. E., Jr. (1989). The impact of television deregulation on private and public interests. **Journal of Communication, 39(1)**, 8-38.

Fowler, M. S., & Brenner, D. L. (1983). A marketplace approach to broadcast regulation. In E. Wartella, D. C. Whitney, & S. Windahl (Eds.), **Mass Communication Review Yearbook. Volume 4** (pp.645-695). Beverly Hills, CA: Sage.

Kerkman, D. D., Kunkel, D., Huston, A. C., Wright, J. C., & Pinon, M. F. (1990). Children's television programming and the "Free Market Solution". **Journalism Quarterly, 67**, 147-156.

Krasnow, E. G., & Stern, J. A. (1984). Implementation of a marketplace approach to broadcast regulation. **Telematics and Informatics, 1**, 321-347.

Kunkel, D. (1988). From a raised eyebrow to a turned back: The FCC and children's product-related programming. **Journal of Communication, 38(4)**, 90-108.

Levin, H. J. (1986). U.S. broadcast deregulation: A case of dubious evidence. **Journal of Communication, 36(1)**, 25-40.

Ray, W. B. (1990). **FCC: The ups and downs of radio-TV regulation**. Ames, IA: Iowa State University Press.

Schutz, D. E. (1990). **Trends in radio station sales: 1988-1990**. Washington, DC: National Association of Broadcasters.

Smythe, D. W. (1982). Radio: Deregulation and the relation of the private and public sectors. **Journal of Communication, 32(1)**, 192-200.

Table 1. Radio Sales, 1988-1990.

		Sales Type		
	Total	AM	FM	AM/FM
Number of Sales	1847	647	605	595
Sales Price				
Average	$2,342,500	$886,921	$3,078,515	$3,299,078
Median	$510,000	$230,000	$750,000	$1,368,675
Lowest	$250	$250	$2,000	$10,000
Highest	$70,600,000	$58,500,000	$65,000,000	$70,600,000
Resales	1291	491	315	485
% "Trafficked"	38%	42%	44%	32%
Avg time held (yrs)	6.28	6.06	4.51	7.64

Table 2. Tests for "Trafficking" Profits

Variable	Coef.	*t*	*p*	Adj. R^2	*F*	*p*	N
All Sales							
T	.00243	3.052	.0024	.017	6.20	.0022	587
Z*T	.00308	.954	.3406				
AM Only Sales							
T	-.00253	-2.270	.0241	.022	3.88	.0219	250
Z*T	-.00406	-.960	.3382				
FM Only Sales							
T	.00607	3.149	.0020	.158	13.82	.0000	137
Z*T	.01676	2.911	.0042				
AM/FM Combination Sales							
T	.00628	4.877	.0000	.109	13.16	.0000	200
Z*T	.00474	.673	.5016				